

Doing Business in: KUWAIT

Commercial Guide for U.S. Companies

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CHAPTER 1

Doing Business in Kuwait

- Market Overview
- Market Challenges
- Market opportunities
- Market Entry Strategy

- **Market Overview**

Kuwait is a small country with a total population of about 2.5 million; 36% are indigenous Kuwaitis and 64% are expatriates from more than 120 countries. Asian laborers constitute 62 percent of the total labor force and Arabs (mostly Egyptians) represent 26 percent.

Kuwait is a “one-resource” economy whose revenues come mainly from oil. Its current daily production is in excess of 2.3 million barrels. Kuwait has ambitious plans to increase production to 3.5 million barrels/day especially after the development of its northern oil fields through the project called Project Kuwait. Its GDP for 2004 reached US\$ 48.5 billion. Government spending formed 43.3% of that figure. The inflation rate for the economy was approximately 2.3% during 2004.

-The United States is Kuwait's second largest trading partner, after Japan. U.S. exports to Kuwait during 2004 were US \$1.494 billion vis-à-vis US \$2.871 billion imports. Excellent quality, reliability and service help the United States to maintain a strong position in this very competitive market. Kuwait's total exports (mainly oil) during 2004 were \$28.830 billion and its total imports were US\$11.403 billion. Kuwait imports from various countries with limited restrictions. Kuwait imports a wide variety of U.S. military, industrial and consumer products. Leading industrial imports include oil field equipment/parts, medical equipment and power generators. Significant consumer imports include passenger vehicles and trucks, and processed food products. Kuwait's major trade partners include the United States, Japan, Saudi Arabia, United Kingdom, China, Germany, and France.

-Kuwait is a stable nation. It has an elected National Assembly (although women do not yet have the right to vote), which aggressively monitors the Government's performance and has managed to force the resignation of some Ministers, the latest of which was the resignation of the Minister of Information in December 2004. Kuwaitis enjoy freedom of expression and their media engages in limited criticism of Government performance. Kuwaiti currency (Kuwaiti dinar) is pegged to the dollar.

(Source: Ministry of Planning-Central Statistical Department; and the Central bank of Kuwait)

- **Market Challenges**

-Foreign companies planning to enter the Kuwaiti market are faced with a number of challenges listed briefly below:

- The need for a local agent/distributor/sponsor as per provisions of the Commercial Law of Kuwait No. 32/1980
- Long litigation process in case of commercial disputes;
- Lack of transparency in the government tendering process;
- Preference of low price to quality in awarding contracts to international bidders;
- The lack of strong protection for intellectual property rights, trade marks and patents;
- The Offset Program which used to require foreign companies contracting with the Government to deduct 35% of the project or of the sale's value for investment in Kuwait was suspended; and
- The corporate tax which imposes a tax of up to 55% of gross profits on foreign companies that won contracts with the Government of Kuwait.

- **Market Opportunities:**

The Kuwait market offers numerous opportunities for foreign companies in various sectors as follows:

- Oil Sector:
 - Permanent need to **drill more oil wells** with the associated demand for drilling rigs, drilling mud, fishing lines, casing and tubing, and well heads.
 - Constant need for maintenance and upgrading of existing **gathering centers**.
 - Building a new **export facility pier**, which will cost about US \$ 1 billion.
 - Replacing old underground **pipelines** with modern, surface networks
 - Building a **new refinery**, which will cost about US\$ 4 billion.
 - Building an **aromatics plant** and an **olefins** plant, both of which will cost about US\$3.5 billion.
- Power Sector:
 - Building a new power plant at Al-Zour North (AZN Power Plant), which will generate 2,500 megawatts of electricity. The prequalification notice went out and the closing date was on December 4, 2004. The project was offered on an engineering, procurement and construction (EPC) basis.
 - Plans to build a smaller power plant in the north of Kuwait are underway as well.
 - Kuwait currently has some of the largest power plants in the world; it is in constant need of service companies that provide maintenance. Please note that this can be done only through association with local companies as partners or agents.
- Infrastructure projects:
 - Building of the Ahmed Al Jaber Bridge from Subbiya in the north of Kuwait to Kuwait City (about 21 miles long): international expertise is needed for this bridge; the prequalification notice went out and the closing date is February 2005. The cost of the bridge is estimated at more than US\$800 million.
 - General development of two Kuwaiti islands: Bubiyan in the north and

Failaka in the middle. Numerous companies, both local and international, have already expressed interest in these projects.

- Building a new port at Bubiyan Island
- Building a new cargo terminal at Kuwait International airport.
- Plans to build a railway in Kuwait to link the current two ports in Shuaiba and Shuwaikh with the third one to be built at Bubiyan Island.

-Medical Sector: There are several new hospitals which are either currently being built or will be built in the near future. The Ministry of Health is also planning to replace old medical equipment and supplies and to buy new ones for its numerous hospitals. American companies in this sector are strongly recommended to visit the country or to communicate closely with their local agents to be informed of these opportunities.

In brief, Kuwait offers a large number of major projects in various sectors. Post reports these opportunities regularly through DOC's programs.

- See Chapter 4 for additional opportunities.

- **Market Entry Strategy**

- To enter the Kuwaiti market and be successful, American companies are advised to communicate with the Commercial Service if they are new to the market. The office can offer excellent advice on how to enter the market.
- The Commercial Service also works with the American Business Council of Kuwait, a private-sector organization sanctioned by the U.S. Chamber of Commerce in Washington, D.C. If interested, please send your email inquiry to: abckuwait@hotmail.com
- Before selecting or appointing an agent or a distributor (which is a requirement by Kuwait's Commercial Agency Law for most transactions), an American company is advised to visit the country and meet with the Embassy staff to have a better insight of the market, business laws, and background information on potential agents.
- The Commercial Service offers various services such as the International Company Profile (ICP), the International Partner Search (IPS) and the Gold Key Matching Service (GKMS) and other customized programs to American companies. Please visit our web site at: www.export.gov/kuwait to learn about these products and services, or contact the U.S. Commercial Service office in Kuwait by fax at (965) 538-0281 or email at kuwait.city.office.box@mail.doc.gov

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CHAPTER 2

Political and Economic Environment

For background information on the political and economic environment of Kuwait, please click on the links below to the U.S. Department of States Background Notes:

<http://www.state.gov/r/pa/ei/bgn/35876.htm> (background note, U.S. State Department)

<http://www.cia.gov/cioa/publications/factbook/geos/ku.html> (World Fact Book, Central Intelligence Agency)

<http://lcweb2.loc.gov/frd/cs/kwtoc.html> (Country study, Library of Congress)

POLITICAL ENVIRONMENT

- **Nature of Political Relationship with The United States**

The relationship between the U.S. and Kuwait remains strong. Since the liberation of Kuwait in 1991 by the U.S.-led coalition forces, a shift has occurred in the buying patterns of Kuwaitis, particularly in the government and defense sectors. The perceived "goodwill advantage" that American companies had once enjoyed because of the role the U.S. played in liberating Kuwait has given way to the traditional pressures of strong competition from market forces of other countries from around the world. In addition, Kuwait has made impressive efforts to expand its trade ties to Asia.

American companies are successful in winning a significant share of defense-related contracts, which are awarded largely on the basis of technical capabilities and price. U.S. technology is highly respected, and efforts are presently underway to develop technical standards for industrial and consumer goods that mirror those of the United States.

- **MAJOR POLITICAL ISSUES AFFECTING THE BUSINESS CLIMATE**

In terms of safety and security, there are no issues that interfere with normal business operations. U.S. firms should be aware however that Kuwait is considered a high-threat country by the U.S. Department of State, and a travel advisory is in effect. Kuwait has signed defense cooperation agreements with the United States, the U.K., France, Russia and China.

The Government of Kuwait continues to pursue the 'Kuwaitization' of the labor force. Although initial plans to reduce the number of expatriates in the country are now seen as unrealistic, public and political pressure will continue on all firms and government ministries to reduce their dependency on non-Kuwaitis. An increase in the number of Kuwaiti employees will increase the demand for training, consulting, and educational services, which non-Kuwaitis as well as Kuwaitis will offer in the near future. The long-term goal of such training will be to replace expatriates with Kuwaitis, particularly in managerial, financial, engineering, computer and other technical areas. Kuwait will continue to seek information technology to reduce the number of employees, especially expatriates.

The Government of Kuwait encourages joint ventures between foreign and Kuwaiti organizations. As a sign of continued movement toward a more liberal economic system, Kuwait has adopted a new law regarding non-Kuwaitis trading in Kuwaiti joint stock companies listed on the Kuwait Stock Exchange. The law authorizes foreign ownership of shares of certain publicly listed Kuwaiti companies for the first time. The Government plans to revise and, in some cases, repeal other regulations that have a negative impact on foreign investment in Kuwait, especially in cases involving technology transfer.

- **BRIEF SYNOPSIS OF THE POLITICAL SYSTEM**

Kuwait is a constitutional hereditary emirate, ruled by Emirs from the Al-Sabah family, which has dominated Kuwait since 1756. Succession as Emir is restricted by the 1962 constitution to descendants of the late Mubarak al-Sabah “the Great” (r. 1896-1915). Kuwait's current head of state is His Highness Emir Sheikh Jaber Al-Ahmad Al-Jaber Al-Sabah. He exercises executive power through his appointed Prime Minister (until 2003 Crown Prince served as Prime Minister) and the Council of Ministers. The current Prime Minister, HH Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, has selected ministers from a broad range of Kuwaiti society, though members of the Al-Sabah family do fill many of the most important positions. At present, the Ministers of Interior, Defense, Communications, Energy, and Foreign Affairs are members of the ruling family.

Working with the Council of Ministers, the Emir may formulate decrees, which are then subject to the approval by the National Assembly. He may also establish public institutions. He is able to ask for reconsideration of a bill passed by the National Assembly and sent to him for ratification, but the bill automatically becomes law if a two-thirds majority subsequently passes it at the next sitting, or by a simple majority at a subsequent sitting. The Emir may declare martial law in an emergency, but only with the approval of the Assembly. Kuwait is divided administratively into six governorates: Ahmadi, Farwaniya, Hawalli, Jahra, Mubarak Al-Kabir, and the Capital (Kuwait City). At the head of each is a governor with ministerial rank who is appointed for a 4-year term. All governors are to report to the Minister of Interior.

Legislative power rests with the National Assembly. This unicameral body has fifty elected members (2 each from 25 constituencies), who serve a four-year term. In addition, the appointed members of the Council of Ministers are ex-officio voting members of the National Assembly; the number of Ministers cannot exceed one-third of the number of members of the National Assembly. The Constitution requires that at least one elected National Assembly member serves as a minister. Elections by secret ballot must be held at least once every four years. Candidates nominate themselves and must be adult male, Kuwaiti citizens. In May 1999, the Emir constitutionally dissolved a deadlocked Assembly and arranged to hold elections within the mandated 60-day period; these elections were generally considered to be free and fair. The last national elections were held in July 2003. While allegations of vote buying persist, the election was also generally considered to be free and fair.

The National Assembly has assumed an active role in Kuwait's political life, writing and enacting legislation, approving and disapproving the Emir's legislative proposals,

and taking a strong hand in formulating the national budget. National Assembly members (Members of Parliament – MPs) are free to criticize the Government and often require Cabinet ministers to answer their questions in formal open sessions commonly known as “grilling.” The Assembly may pass a vote of no confidence regarding a minister, in which case the incumbent must resign. Such a vote is not permissible in the case of the Prime Minister, but the National Assembly may approach the Emir on the matter, and the Emir will then either dismiss the Prime Minister or dissolve the National Assembly for new elections. Parliamentary committees often scrutinize government actions. In 1995, for example, one committee released an investigative report, later referred to the Public Prosecutor, alleging widespread irregularities and malfeasance in past Defense Ministry procurement activities. In 2001, in response to calls from many Assembly members, the Government reopened an investigation of irregularities in the Kuwait Petroleum Company and the Kuwait Oil Tanker Company that involved a former minister and an Al-Sabah family member.

The Judicial Authority is divided into three sections:

1. The Court of First Instance considers disputes related to personal status, civil, commercial, labor, rents and administrative cases. It also considers crimes and misdemeanors.
2. The Court of Appeal considers appealed verdicts passed by the Court of First Instance.
3. The Court of Cassation considers commercial, labor, civil, personal status and criminal cases appealed to it from the verdicts of the Court of Appeal.

Islamic Sharia plays a significant role in personal status matters (marriage, divorce, inheritance, etc.) which are handled by Sharia-based courts which issue separate verdicts for Sunnis and Shias due to their different schools of jurisprudence.

• **POLITICAL PARTICIPATION**

While political parties are banned, the Government has for many years permitted the formation of a number of informal political groups that act much like parties; at this writing in January 2005, a conservative group has just been launched with the aspiration of becoming the first officially-sanctioned Kuwaiti party. These groups compete against each other openly in elections and in the Assembly. Among the more significant groups are: the Kuwait Democratic Forum, a liberal Arab nationalist leftist group; the National Democratic Movement which consists of groups of liberal young Kuwaitis considering themselves as independent political organization with Kuwaiti identity, national leaning and democratic methodology; the National Democratic Alliance, a recently-formed grouping that brings together the Kuwait Democratic Forum, the National Democratic Movement and Independent Liberal Kuwaitis; the Islamic Constitutional Movement, a Sunni Muslim group drawing its inspiration from the Muslim Brotherhood; the Salafi Group and the Salafi Movement (Islamic groups that advocate social reforms based on a very conservative

interpretation of Islam); the National Islamic Alliance, a loose grouping of Shias, some of whom identifying with Iranian Shia interests.

Kuwait's unique networking system of informal, weekly, family-based gatherings of primarily men -- the 'diwanias' -- is explicitly protected by the constitution. Virtually any topic (e.g., politics, business, society) may be freely but courteously discussed at these sessions. Practically every adult male Kuwaiti-- including the Emir, members of the government and National Assembly, and business leaders -- hosts or attends diwanias. As a result, the diwanias play a role at least as important as the press and the Assembly in the development of political consensus and decision-making. More formal professional associations and scientific bodies operate and maintain international contacts under license from the Government, but only one organization may exist on a given issue or interest (e.g., one engineers' society, one consumers' group, etc.). Women are not precluded from holding diwanias; yet the number of women only or mixed diwanias is very small.

The Constitution asserts the principle of equality, but the electoral law limits the right to vote and run for the National Assembly to male citizens over 21. The Government has advocated extending the right to vote and hold public office to women, but the National Assembly and the courts have not yet followed through. In 1999, the Assembly rejected an Amiri decree granting women's rights; the majority also defeated a similar proposal presented by some Assembly members. The Government introduced a similar measure in May 2004. The courts have several times dismissed on technicalities cases in which women claimed the right to vote or to register to vote. It is very likely that women will be granted the right to vote shortly. The right to hold elected office or appointed office at the highest levels will be the next key gender issue.

• **WORKERS' RIGHTS**

Kuwaiti citizen workers, 93 percent of whom are government employees, have the right to join labor unions. Kuwaiti law, however, prevents the establishment of more than one union per functional area or more than one general confederation. Out of a total Kuwaiti and non-Kuwaiti labor force of 1,418,804 in June 2003, union membership accounted for only 60,000 (around 15,000 in the oil sector and 45,000 in the government sector), mostly Kuwaitis (although foreign workers may also join unions as nonvoting members), organized in 14 unions (9 government and 5 oil). All but two of the unions, the Banks Workers' Union and the Kuwait Airways Workers' Union, are affiliated with the Kuwait Trade Union Federation (KTUF). The oil unions and the government unions have equal representation in the 90-member KTUF Assembly. Around 20 other labor unions have recently been licensed; some of them have applied to join the KTUF and others are still completing the necessary organizational procedures. Accordingly, the organizational structure of the Kuwaiti trade unionist movement will witness some changes in the near future.

Collective bargaining by the union with the public or private sector employer may be appealed to the Ministry of Social Affairs and Labor or ultimately to a labor arbitration board, including officials from the Ministry of Social Affairs and Labor, the Attorney General's Office and the High Court of Appeals. Kuwaiti government workers are

legally entitled to a minimum wage, but workers in the private sector are not. All workers in Kuwait are entitled to medical care and compensation for work-related injury or illness, including illness resulting from exposure to hazardous substances. Public health care is currently provided free of charge to all Kuwaiti citizens. However, the National Assembly passed legislation in April 2000, which imposes health insurance fees for expatriate laborers and requires employers to cover them. Workers in the private sector have the right to strike, limited by compulsory negotiation followed by arbitration if a settlement cannot be reached.

Kuwait's foreign (expatriate) workers, most of whom work in the private sector, have the right to: join unions as non-voting members, receive a minimum wage in the public sector, medical care and workman's compensation in the event of a work-related injury or illness, and to strike in the private sector.

Expatriates dominate the private sector in Kuwait, and post-liberation government efforts to reduce their numbers have failed. The Government of Kuwait requires expatriate workers applying for residency visas for their families to have a minimum monthly income of KD 250 (about US\$ 850). A new draft labor law, currently being reviewed by the Government, would benefit all workers but especially expatriates. The bill would establish a private sector minimum wage, limit the workweek for laborers, and deter visa trading. Domestic servants are not yet covered by the labor law in Kuwait; the Ministry of Social Affairs and Labor announced recently that it is preparing a new one.

- **ECONOMIC ENVIRONMENT**

- MAJOR TRENDS AND OUTLOOK

Oil Sector:

Oil production and related industries drive the Kuwaiti economy. Kuwait's crude oil production in 2003 averaged just over two million barrels per day (b/d); total production capacity is estimated at 2.4 million b/d. The country's refining capacity is currently around 800,000 b/d. OPEC production agreements as of November 2001 limit Kuwait crude oil production to 1.74 million b/d, but Kuwait plans to expand production capacity to three million b/d by 2005. Future plans also call for expanding domestic refining capacity to one million b/d, while increasing Kuwait's ability to produce higher valued refined products. Kuwait's Minister of Energy is the Chairman of OPEC for 2005.

Kuwait's government-owned oil sector is expected to maintain its long-term expansion, subject to constraints imposed by OPEC quotas. After many years of debate, the Kuwait Government has decided to allow foreign participation in the upstream oil sector. It is in the process of drafting regulations that would allow the operation of international oil companies in Kuwait's northern oil fields; this may require some amendments to the national constitution, and the National Assembly will have to approve the new regulations. The project is expected to generate billions of dollars of new investment in the country and create thousands of jobs, as well as granting Kuwait access to the latest technologies in oil recovery.

The petrochemical sector offers particularly exciting opportunities for growth. The US \$2 billion EQUATE petrochemical complex in the Shuaiba Industrial Area was originally created as a joint venture between Union Carbide Corporation (45 percent), the government-owned Petrochemicals Industries Company (45 percent) and Bubiyan (10 percent), a group of private Kuwait investors. (Union Carbide has subsequently merged into Dow Chemical.) The availability of intermediate petrochemical products such as ethylene, polyethylene, and ethylene glycol is expected to open opportunities for a range of chemical and plastic manufacturing industries in Kuwait.

Non – Oil Sector:

Kuwait's non-oil economy grew by 6.4 percent in 2003. Driving the growth in non-oil GDP was a surge in manufacturing activities that grew by 20.6 in 2003. Construction and private consumption grew at an equal rate of 5.4 percent. Increased government spending of 10 percent and an increase of 9.9 percent in gross capital formation also contributed to the growth. (Source: Ministry of Planning).

The Kuwaiti Government is trying to reduce the percentage of expatriate labor in Kuwait. Kuwait is working to replace higher-paid expatriate workers in the government and private sectors with Kuwaitis who are more likely to spend their earnings domestically. Besides "Kuwaitization" policies, the increasingly expensive residences fees, new requirements for expatriate's health coverage, rising living costs, and stagnant salaries have driven many expatriates to leave Kuwait permanently.

• PRINCIPAL GROWTH SECTORS

Non-Oil Sector:

Without fundamental economic restructuring, long-term growth in the non-oil sector will be tied to the whims and fluctuations of international oil markets. Broad reforms are needed to reduce the role of the Government in the economy, to reduce the dependence of the Government on oil revenues, and to induce more Kuwaitis to seek employment in the private sector. Such measures might include steps to create a more favorable investment climate (for both foreign and domestic investors), to reduce government subsidies, and to expand and accelerate nascent efforts at privatization. Areas where the Government's role should be reexamined include:

- ***Telecommunications:*** In June 2001, Kuwait divested itself of US \$540.2

million--over half of its holdings--in the Mobile Telecommunication Company (MTC). Further change could bring in Western companies as partners, along with badly needed investments in infrastructure and new technologies.

- **Housing:** Demand for housing in Kuwait is rising because of generous housing subsidies and the country's high population growth rates. Kuwait's Minister of Planning stated that the Government intends to support the 3.3 percent annual increase in population. Steady urbanization plus scarcity of building sites may promote the construction of multi-unit developments rather than single-family homes.
- **Power Generation:** Subsidies distort the market by giving little incentive for consumers to use power rationally, leading to massive leaps in demand growth. A restructured sector would provide appropriate price signals both to consumers (to rein in demand) and to producers (to build new power plants).
- **Health Care:** Kuwait is moving to privatize some of its health care services by establishing private hospitals. In the future, government-owned hospitals may be privately managed as well. Furthermore, recent legislation requires all expatriate workers to have health insurance. This should create opportunities for health insurance and/or health maintenance organizations and provide funding for additional projects such as Afiya Net, a program to automate patient record keeping.
- **Food Sector:** Snack foods, vegetable oils, frozen beef, frozen chicken parts, cheeses, frozen and fresh vegetables, sauces and condiments.

• GOVERNMENT'S ROLE IN THE ECONOMY

Kuwait's government has historically played a dominant role in the local economy. An overly regulated system restricts competition in certain sectors of the economy and strictly controls access by foreign capital and expatriate labor. Efforts to transform the system from a welfare state into a market economy will progress slowly as the Kuwaiti people cling to their government-provided entitlements, despite forceful lobbying from parts of the private sector and certain government agencies.

In early 2001, Kuwait's National Assembly passed a new Foreign Investment Law that grants 10-year tax holidays and other incentives to new foreign investors. Among other issues, the law provides for up to 100 percent foreign ownership in certain industry sectors. The implementing rules and regulations were published on February 23, 2003. The Cabinet had also issued a resolution on November 9, 2003, defining the areas where foreign ownership will be allowed. The National Assembly passed legislation that would reduce maximum corporate tax rates for foreign firms from 55 percent to 25 percent. However, it is still in the process of drafting implementation procedures.

As part of its 'privatization' drive, the Kuwait government has successfully divested

its equity holdings in a number of Kuwait firms, including private companies and most of the nation's banks. Kuwait has implemented its divestiture program using public auctions through the Kuwait Stock Exchange, negotiated sales to strategic investors, or a combination of the two. The Government had purchased many of these shares following the collapse of the Souk Al-Manakh in 1983 and to provide capital for local development.

The Government's efforts to guarantee employment for all Kuwaiti nationals have unintentionally stimulated inefficiency and higher youth unemployment. Ninety-three percent of the Kuwait workforce is employed by the Government or government-owned companies. While there has been a social benefit, "Kuwaitization" has resulted in overstaffed government ministries and the hiring of unqualified individuals in order to meet quotas. Private companies also have difficulty recruiting and retaining Kuwaitis for demanding jobs at competitive wages. To ameliorate this problem, the National Assembly passed the National Employment Law in April 2000, which extends government-provided social and child allowances to citizens employed in the private sector; only government employees had received these benefits before. The Government hopes this new law will make private sector employment more attractive to Kuwaitis, particularly new graduates. The bill also establishes unemployment assistance for Kuwaitis waiting to find a job in either the Government or private sector. These payments are limited to a few months to encourage recipients to find employment. These steps, of course, add significantly to the Government's social spending obligations.

- **BALANCE OF PAYMENTS**

Kuwait had a 2004 balance of trade surplus of US \$17.4 billion (estimated) and a current account surplus of US \$8.1 billion (estimated). Given current world oil prices, both surpluses are expected to remain healthy through 2005.

- **INFRASTRUCTURE**

Kuwait's size protects it from the distribution challenges faced by larger countries. It has two modern ports--Shuwaikh and Shuaiba--which handle most of the country's imported goods. Both are equipped with facilities to manage most kinds of cargo. Shuwaikh is the regular port of entry for most consumer goods entering by container ship. Shuaiba, located in Kuwait's refining and manufacturing complex, receives some of the country's industrial imports and is the export point for petrochemicals, sulfur and petroleum coke.

Kuwait is working to regain its role as a transshipment point in the region following the significant drop in world trade after the Gulf War. In 1996, the government authorized the establishment of a free trade zone in Shuwaikh port, which was inaugurated in November 1996. Over 90 percent of available space has been leased. The Kuwaiti Government has also reduced some port fees to encourage use of Kuwait as a transshipment point especially for business into Iraq.

- **TRANSPORTATION**

Kuwait's road system is well developed, with modern multi-lane expressways linking

all areas of the country. There are no railways in the country. Kuwait International Airport is located south of the city and is easily accessible by expressway. It offers regular flights to destinations in the Middle East, Europe, and Asia and can provide service for the world's largest aircraft.

- **UTILITIES**

Kuwait has several major electric power generating plants, which, by incorporating desalination operations, are also the source of the country's potable water supply. Kuwait strives to maintain a 90-day supply of water at all times. Power plants can be fired by either natural gas or fuel oil. Kuwait's surging population and subsidized prices, however, have created rapidly rising demand for electricity and water. Demand is particularly high during the summer months--when temperatures routinely reach above 130 degrees Fahrenheit -- because of the need for extensive air conditioning.

- **INTERNET & E-COMMERCE**

Kuwait currently has four licensed Internet Service Providers (ISP) and more than 50 sub-ISPs. Estimates of total Internet users in Kuwait range from 180,000 and up. Internet access prices remain high as the Ministry of Communications retains control of both local telephone service and marine cable and satellite telecommunications in and out of Kuwait.

A growing number of Kuwaiti businesses are expressing interest in electronic commerce and mobile commerce (via cellular telephone and the wireless application protocol or WAP) for business-to-business and business-to-consumer applications. Several local banks offer Internet banking services and even online brokerage services for the U.S. stock market.

The government has placed considerable emphasis on moving toward "e-government", but the legal and technical infrastructure for this is developing slowly. For example, an electronic signature law, based largely on the United Nations Commission on International Trade Law (UNCITRAL)'s model law on Electronic Commerce, continues to await legislative action.

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CHAPTER 3

Selling U.S. PRODUCTS AND SERVICES

- **Using an Agent or distributor**
 - **Establishing a local office**
 - **Franchising**
 - **Direct Marketing**
 - **Joint Ventures/Licensing**
 - **Selling to the Government**
 - **Distribution and Sales Channels**
 - **Selling Factors/Techniques**
 - **Electronic Commerce**
 - **Trade Promotion and Advertising**
 - **Pricing**
 - **Sales Service/Customer Support**
 - **Protecting Your Intellectual Property (IPR)**
 - **Due Diligence**
 - **Local Professional Services**
 - **Web Resources**
-
- **Using an Agent or Distributor**

Foreign companies wishing to operate in Kuwait without setting up a Kuwaiti registered legal entity may only do so through a registered Kuwaiti merchant, a joint venture, a Limited Liability Company (WLL) or Kuwaiti shareholding companies (KSC), or under Foreign Direct Investment Law No. 8/2001.

The local agent must be duly appointed through an agency agreement registered with the Ministry of Commerce and Industry. Foreign companies are generally not allowed to participate directly in a Kuwaiti tender, with the exception of military tenders. Commercial Agencies Law No. 36 of 1964 and the Commercial Law No. 68 of 1980 regulate commercial agency agreements.

Commercial agents are responsible for promoting products/services for a principal; negotiating deals on the principal's behalf, concluding such deals, and carrying them out. Sole distributors have the same legal rights as commercial agents under the laws. Most agency and distribution agreements are legal without registration, but in certain circumstances registration is required such as for Central Tenders Committee (CTC) tenders, and for the Ministry of Planning (computer companies and consultants). Registration with the Ministry of Commerce and Industry should occur within two months of attestation by any official authority at the principal's location and the Embassy of Kuwait in Washington, D.C., or its consulate in New York. If the principal in the United States signs the agency agreement, the following procedures should be followed so that the American Embassy in Kuwait can attest the agreement:

- Have the agency signed before a notary public;
- Have the Secretary of the State in the state of incorporation endorse it; and

- Send it to the Department of State in Washington, D.C., Attestation Office for attestation there.
- Then send it to the local agent in Kuwait who can have all originals notarized by the Consular Section of the American Embassy.

Agency, sponsorship or distribution agreements between a Kuwaiti company and a foreign company must be translated into Arabic by an official government translator and then registered with the Department of Commercial Agencies within the Kuwaiti Ministry of Commerce and Industry. At a later stage, it may also be registered with the Kuwait Chamber of Commerce and Industry (optionally). Registration of an agency agreement usually takes less than two weeks from the time the documents are available in Arabic.

All contracts, both civil and military, with the Government of Kuwait valued at KD 100,000 (US \$340,000) or more are subject to Kuwait's Disclosure Law No. 25, of 1996, which requires contractors/agents to report and disclose to the Audit Bureau all payments they made/received or will make/receive when securing a contract.

- **Foreign Direct Investment Law:**

The National Assembly approved and passed Law No. 8/2001 appertaining to the Direct Foreign Capital Investment Law in March 2001 and it became effective a month later. The law provides possibility of investment by foreigners in excess of 49 percent (up to 100 percent) in Kuwaiti companies. The Council of Ministers issued Resolution No. 1006/1 for 2003 on November 1, 2003 defining permissible economic activities and sectors that a foreign investor may undertake in Kuwait. These include industries, excluding projects pertaining to oil and gas exploration and production, infra-structure projects (water, power, waste water, drainage, or communications), banks, investment and exchange companies; insurance companies approved by the Ministry of Commerce & Industry, IT and programs development, hospitals and pharmaceuticals, transportation, housing projects and urban development, and real estate companies. Banks however are subject to the approval of the Central Bank of Kuwait.

- **AGENCY LAWS**

Local agency laws are not strictly enforced and it is not uncommon to find food products imported by other than the designated agent. Local merchants might also import copied brand/trade names into Kuwait without facing penalties from the Customs Department or the Ministry of Commerce and Industry.

Agency agreements must include the following:

- (1) The geographic territory covered by the agency agreement;
- (2) The full range of products and services that the agent is representing;
- (3) The term of the agency agreement (recommend one year with renewal and escape clauses);

- (4) The agent's fee, which is usually fixed, but may also include a small percentage of any contracts awarded;
- (5) The choice of applicable laws and arbitration/mediation forum, in the event of a dispute. (Note: The application of foreign laws cannot contradict the public policy of Kuwait);
- (6) The nature of the agent's work and responsibilities of the parties. Duties of the principal and the agent should be listed specifically in the contract; and
- (7) A termination clause. While there is no statutory minimum notice of termination, three months notice is customary.

- **AGENT'S OBLIGATION**

An agent is obliged to act for the benefit of his principal and to follow the principal's instructions, to maintain confidentiality on behalf of the principal, and to keep the principal informed of market and legal conditions in Kuwait. The agent should not represent other foreign companies whose products or services compete with the principal's. (Post observes in many instances that Kuwaiti companies submit bids for a government tender using several foreign companies. This constitutes a violation to the terms and conditions of the signed Agency Agreement with the foreign (i.e., American) principal. American firms are advised to confirm if their potential agent already represents any competitors.

- **TERMINATION of Agency Agreements**

In the event the principal terminates an agency agreement, it will most likely be necessary to compensate the agent for good faith efforts undertaken to promote, sell and service the American principal's products and services. Agency termination, whether disputed or not, can be a costly matter in Kuwait, unless the termination is for a cause. Kuwait's Commercial Code contains a formula for compensation.

Due to the highly price competitive nature of Kuwait's market, merchants consider middlemen or commission agents as an unnecessary third party. Thus, **Kuwait's merchants prefer to deal directly with foreign manufacturers or their sole exporting agents. By the same token, Kuwait firms normally refuse to be appointed as sub-agents.**

Foreign consulting firms do not need local agents; however, they must register with the Consultants and Development Projects Department at the Ministry of Planning to be eligible for Kuwait government contracts. It is also recommended that they work in association with local consultant offices.

- **Establishing an Office**

As indicated, foreign firms can have direct access to the Kuwaiti market only through a local agent/partner. A local company cannot have a recognized representative personality and may not commence business until it is registered in the *Commercial Register and published in Kuwait Al-Youm*. The registration must include the company's memorandum, articles, and a declaration by the founders. This

declaration must include a statement that the company founders have issued and paid for the subscribed shares and that the paid amount has been deposited in the company's account at a local bank.

Incorporation of a company takes from two to six months. Upon incorporation, a license is issued for display at the company. The cost of incorporation is about US \$10,000. Renting an office, furnishing it and recruiting staff are the next logical steps. Companies should budget a minimum of US \$25,000 (exclusive of rent) when opening a Kuwait office.

- **Franchising**

Kuwaitis are very receptive to franchising. High per capita income, significant spending power, tax-free earnings and an upwardly mobile population are indicators of the future growth of this market. Entertainment, automotive services, furniture, clothing, restaurants and commercial cleaning/maintenance are some of the sectors, which offer significant opportunities in the Kuwait franchise market. Retail franchising is also popular especially for well-known American department stores like K-Mart.

There is also high demand for quality education and training services. To respond to this need, the Government opened the door to foreign universities and colleges to establish branches in Kuwait. As the Government's goal is to employ Kuwaiti nationals in the private sector and to replace third-country national civil servants, the opportunity for training and skills development suppliers cannot be over emphasized.

U.S. fast food franchises are highly sought after by local companies. The U.S. Commercial Service expects the sector to continue to grow over the next few years despite the fact that most major fast food franchises are already established in the market. Franchises require the involvement of a Kuwaiti sponsor as a franchisee.

There is growing demand among processors/packers for bulk shipments of semi-processed food products for final processing and packaging in Kuwait, particularly for vegetable oils, fruit juices, dry pulses, nuts and snack foods.

- **Direct Marketing**

Foreign companies cannot market their products or services directly in Kuwait. They should do that through a local agent after the imported products are customs-cleared and the tariffs paid. Products of foreign companies participating in trade shows in Kuwait are not allowed for sale to visitors. Foreign exhibitors are even asked to pay a deposit on arrival of their show-equipment to Kuwait to guarantee their re-export or to pay customs duties if they find buyers in Kuwait after the show is over.

Direct marketing in the form of advertising in the local newspapers, Kuwait TV, Kuwait Radio is permissible. This could be done directly with the said media or through local advertising agencies.

- **Joint Ventures/Licensing**

Foreign investors are offered a number of incentives to participate in joint ventures with Kuwaiti firms, including partial relief from Kuwaiti corporate taxes and management control options. Two or more persons, who are then jointly and severally liable for the debts of the enterprise, may form a joint venture. Because all government procurement must be conducted with Kuwaiti citizens or firms, joint ventures between foreign investors and Kuwaiti nationals are often the best vehicle to gain access to this market.

It is usual for the terms and conditions to be set forth in a joint venture contract. A joint venture in Kuwait is not considered a legal entity and does not require a registration in the *Commercial Register*. Joint Venture partners are separately registered in their own names. It is common for common contractors to form a joint venture or consortium to carry out major projects.

- **Selling to the Government**

Tender Law No. 37 of 1964 regulates government tenders. The Central Tenders Committee (CTC), which is under the jurisdiction of the Council of Ministers, acts on behalf of most government ministries, for example in the oil sector that are valued at more than US \$17,000 (KD 5,000). The Ministries of Housing, Defense, and Interior (including the security forces) however can sometimes issue their own tenders independently of the CTC. All contracts with the Government valued at KD 100,000 (US \$340,000) or more are subject to Kuwait Law No. 25 of 1996, which requires contractors/agents to disclose and report all payments made, received or that they will be made or received when securing a contract.

Tenders are usually awarded on the basis of the lowest price once technical compliance with the tender's specifications has been established. It is worth mentioning that if a bidder wins a tender but then refuses to sign the contract, the Ministry concerned has the right to confiscate the bid bond as well as the performance bond, which might equal 5-10 percent of the contract's value.

Foreign companies cannot sell directly to the Government nor participate in public tenders except through a local agent. In the oil sector, for instance, supplying companies should be approved by an internal committee and placed on a list of 'pre-approved' companies. For major projects, international companies are usually invited to pre-qualify.

- **Distribution and Sales Channels**

Goods enter into Kuwait through:

-Land border posts: Imported goods arrive into Kuwait by land through two border posts in the west and south linking Kuwait with Saudi Arabia. There is a third one in the north linking Kuwait with Iraq.

-Sea: Shipments arrive and unload at two small ports, one in the south called Shuaiba port and one in Kuwait city called Shuwaikh Port. As these are small ports and can't cope with the increasing shipments coming to Kuwait en route to Iraq, the

Government of Kuwait is planning a large and modern port in the southern part of Boubyan Island.

-Kuwait Airport, which receives international airlines, except American carriers, arriving from various destinations. There is an open-skies agreement under current discussion, which should expand U.S. arrivals.

Goods are distributed through various channels:

- They are sold directly from companies' premises.
- They might be sold through showrooms.
- Or they might be sold through warehouses (wholesale).
- Kuwait has an extensive number of very large supermarkets called cooperatives that sell all home needs. Electronic appliances are also sold in large and numerous showrooms. Several large hardware department stores are also available.
- There are a number of very large shopping malls in various parts of Kuwait, which sell world brands, especially apparel and ready-made clothes. Examples include: the Marina Mall, Al Fanar, Al Bustan, and Laila Gallery in Salmiya; Al Muhallab in Hawalli; Souk Sharq downtown on the sea side; the City Center in Salmiya and Shuwaikh; Home Center in Shuwaikh; and Landmark in Salmiya, Shuwaikh and K Kuwait City.

- **Selling Factors/Techniques**

The key selling factors in Kuwait are price, quality, effective after-sale service, payment facilitation, and attractive packaging (when applicable). Customer installment purchase plans and discounts for large or even small volume purchases are also common promotional practices.

Selling techniques vary and include offering trade discounts, frequent sales, free service for equipment purchased during a limited period, reduced prices or give-aways, warranties, trade-ins, and special promotional sale events. In 1999, Kuwait inaugurated a local shopping festival called Hala (Welcome) February. Special offers and promotional campaigns are most common during Hala, with hotels and entertainment attractions offering special rates to attract shoppers from outside Kuwait. The event is repeated annually since then (except for 2003 due to Iraq's Liberation War). It should be noted, however, that any sale discounts require prior official approval of the Ministry of Commerce & Industry.

- **Electronic Commerce**

Kuwait currently has four licensed Internet Service Providers (ISP) and more than 50 sub-ISPs. Estimates of total Internet users in Kuwait range from 180,000 and up. Internet access prices remain high as the Ministry of Communications retains control of both local telephone service and marine cable and satellite telecommunications in and out of Kuwait.

A growing number of Kuwaiti businesses are expressing interest in electronic

commerce and mobile commerce (via cellular telephone and the wireless application protocol or WAP) for business-to-business and business-to-consumer applications. Several local banks offer Internet banking services and even online brokerage services for the U.S. stock market.

The government has placed considerable emphasis on moving toward “e-government”, but the legal and technical infrastructure for this is developing slowly. For example, an electronic signature law, based largely on the United Nations Commission on International Trade Law (UNCITRAL)’s model law on Electronic Commerce, continues to await legislative action.

- **Trade Promotion and Advertising**

Marketing in Kuwait can be a challenging business. There are a number of competent advertising agencies in Kuwait serving U.S. and local companies. The U.S. Commercial Service can provide you with such list upon request.

Newspaper advertising in Kuwait is the most effective tool for communicating with the public, with newspapers securing about 40 percent of advertising market's share. Street signs and vehicle panels run a close second to newspapers in popularity, accounting for 30 percent sale of the market. Advertising is also available on several FM radio stations, Arabic and English, and three television channels (Channel 1: Arabic news and programs; Channel 2: English news and programs; Channel 3: Arabic sports programs). Advertising is also available through numerous movie theatres in Kuwait.

Marketing through direct mail has become popular and is expected to grow as the postal service system continues to modernize. Direct marketing through personal contacts is also very effective. A recent marketing technique is sending message to the hundreds of thousands of cellular phones.

Road advertising is quite common in Kuwait whereby local or foreign companies announce a new product. But advertisers should secure the Municipality approval before they put on their advertisement. They should also remove it from the road after the fixed advertising term.

- **Pricing**

The selling price of an American product in Kuwait includes the following elements in addition to the U.S. supplier's ex-factory price:

- U.S. inland transportation,
- U.S. export packing & documentation, freight, insurance,
- Kuwait customs duties (now a flat four percent on all imports except for food items which are customs-free),
- Kuwait customs clearance and inland transportation (US \$175/container generally),
- Kuwait agent's commission (typically 5 to 15 percent),
- Kuwait agent's administrative overhead and provision for waste and damage,

- Installation charges in Kuwait, if required.

When pricing U.S. consumer products, a rule of thumb in Kuwait is to substitute the Kuwaiti dinar for the U.S. dollar, in effect multiplying the U.S. FOB port of export price by 3.4. In the case of pharmaceuticals, the Ministry of Public Health limits the overall mark-up from importer to consumer to 55 percent. Industrial items, sourced from the U.S. by private Kuwait firms to fill Kuwait government tenders, must be priced to compete with products from Asia, an almost impossible task that most often deprives U.S. firms from winning.

The average markup on imported food products is about 10 to 15 percent. Retail food prices are generally 25 to 30 percent above import prices.

- **Sales Service/Customer Support**

U.S. firms that intend to operate in Kuwait should ensure that their sales contracts contain a follow-up maintenance clause. This clause helps to ensure that the quality and the service of the product remain up to American standards.

Consumer warranties are normally given for goods such as electrical appliances, vehicles, tires, watches, etc. Warranties range from 90 days to four to five years, depending on the product. U.S. firms should establish a factory service center for their products. Independent service centers also repair and maintain most consumer products, but may substitute cheaper repair parts for OEM.

After-sale service and customer support is especially crucial in the automotive and electrical home appliance sectors. Automobile dealers offer a one-year or 15,000, mile, or even more, guarantee after the sale. They may also offer occasional discounted service fees. Home appliance dealers offer guarantees or warranties against faults or failures. They either fix or replace the appliance during the warranty period. Agents or dealers of home appliances maintain service fleets that make house calls.

- **Protecting Your Intellectual Property**

Kuwait was elevated to the USTR's Special 301 Watch List in 2004 due to its failure to address serious and rampant copyright infringement and failure to amend its copyright law. Furthermore, Kuwait has failed to implement the 2002 work plan that outlined the steps it would take to increase IPR enforcement. In fact, in 2003, enforcement efforts remained insufficient and penalties for infringement remained inadequate to deter offenders. Kuwait continues to have the worst retail optical disc piracy rate in the region as well as problems with corporate end-user piracy, hard-disc loading piracy, and cable piracy.

There were positive actions taken in 2004. Kuwait Customs created a special IPR unit in April 2004 and began taking some enforcement actions. Other Kuwaiti government agencies and ministries, most notably the Ministry of Commerce, had

taken an active role in copyright enforcement by the end of 2004, and a new draft copyright was to be put before the National Assembly in 2005.

- **Patents and Trademarks**

Kuwait's new patent and trademark legislation was passed by the National Assembly in December 2000 and took effect on January 14, 2001 making Kuwait compliant with to WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The new law provides protection for 20 years and extends coverage to include pharmaceutical products. Industrial designs and closed circuits are protected for 10-15 years. Kuwait has effective trademark legislation but, again, penalties are light. Trademarks can be registered in Kuwait for 10 years and renewed indefinitely for additional ten-year increments. However, if a trademark has not been used for a five-year period, an interested party can apply to courts to have it cancelled. Registration gives the owner exclusive rights to use the trademark on the goods for which it is registered, and third parties can be prevented from using the mark on competing products. Registration (of a trademark) takes about 3 weeks and requires US\$60 fee. Trademark registration is linked to the Kuwaiti agent; when a new agent is selected, the trademark continues in force under the old agent's name until the new agent registers the trademark.

- **Due Diligence**

American companies are encouraged to request due diligence when they want to have specific information about a certain person or company in Kuwait to make sure the person or the company is not involved in corruption, bribery, or official work with the government. Because Dun And Bradstreet and Standard and Poor are not present in Kuwait, American companies seeking due diligence approach either the Commercial Office or/and a local attorney.

The Commercial Office offers American companies the so-called International Company Profile (ICP) which provides company's background information that includes the year of incorporation, the number of employees, the paid up capital, the founders, number of employees, the organization chart, the company's banks, foreign companies represented, its business activities, and a general evaluation and recommendation based on the company's business reputation. Please visit our web site at: www.export.gov/kuwait to know more about this service.

- **Local Professional Services**

Disputes arising out of business transactions usually fall in two broad categories. The first category concerns payment collection issues: 1.) Either an American firm sends goods or commodities to a local firm that refuses to pay the full amount (claiming the goods do not comply with the terms and conditions of the Letter of Credit); or 2.) An American firm completes its assigned job or contract but it experiences difficulties receiving payments. The second type of dispute usually arises from agency agreement terminations, which as described previously can be complicated and costly to resolve.

To help resolve disputes, the U.S. Commercial Service Kuwait may intervene to determine the facts. However, the Embassy cannot impose solutions or terms of resolution. If a mutual solution is not possible, the American firm may need to resort to the Kuwaiti court system. To gain access to the judicial system, U.S. firms must hire a local attorney. The following is a partial list of qualified attorneys based in Kuwait. The list is arranged alphabetically. Inclusion on this list does not constitute an endorsement by the U.S. Commercial Service.

Local Attorneys

Abdul Aziz D. Al-Dekheel Law
Office
(Legal Consultants)
P.O. Box 5120 Safat
13052 Kuwait

Tel: (965) 241-4102/3
Fax: (965) 241-4105
dadco@ncc.moc.kw
Contact: Mr. Abdul Aziz D. Al-Dekheel
Title: Attorney-at-Law

Abdulla S. Al-Rkayan &
Associates
P.O. Box 5277 Safat
13053 Kuwait

Tel: (965) 242-1281
Fax: (965) 242-0582
Contact: Mr. Abdulla Al-Rkayan
Title: Attorney-at-Law

Ahmad G. Al-Otaibi & Partners
P.O. Box 5750 Safat
13058 Kuwait

Tel: (965) 242-5163
Fax: (965) 240-1251
E-Mail: alotaibi.partners@yahoo.com
Contact: Mr. Ernest Alexander
Title: Attorney-at-Law

Al-Haifi & Habbas Law Bureau
P.O.Box 2849 Safat
13145 Kuwait

Tel: (965) 247-7940
Fax: (965) 240-2840
Contact: Mr. Amin Habbas
Title: Attorney-at-Law
Email: aminhabbas@hotmail.com

Anwar Al-Bisher Law Firm
P.O. Box 26292 Safat
13123 Kuwait

Tel: (965) 243-1122
Fax: (965) 240-2501
E-mail: aabisher@qualitynet.net
Contact: Ms. Mary Ann Sharp
Title: Attorney-at-Law

Al-Khebra Legal Consultants &
Lawyers
P.O. Box 44747 Hawalli
32032 Kuwait
Tel: (965) 244-4885

Fax: (965) 242-2203
E-mail: dallal@alkhebra.com
Contact: Mr. Mohammad H. Al-Dallal
Title: Partner

Al-Waqyan - Al-Awadhi - Al-Saif
Law Firm

(In Association with Dixon &
Dixon)

P.O. Box 22833 Safat
13089 Kuwait
Tel: (965) 240-7040
Fax: (965) 240-7030

E-mail: nen@qualitynet.net
Contact: Mr. Adan Ibrahim
Title: Attorney-at-Law

M.M. Al-Ghazali & Partners
(Squire Sanders)
P.O. Box 26161 Safat
131122 Kuwait
Tel: (965) 802234

Fax: (965) 242-2895
E-mail: mail@algazali-law.com
Contact: Mr. Mishari Al-Ghazali
Title: Attorney-at-Law & Partner

Libra Law Firm
www.libralawfirm.com
E-mail: ammar@libralawfirm.com

Tel: (965) 246-6446
Fax: (965) 246-6447
P.O. Box 22379 Safat
13084 Kuwait

Contact: Mr. Ammar Milhem
Title: Attorney-at-Law & Partner

Mashora Advocates and Legal
Consultants (In Association with
Bryan Cave LLP)
Al-Mashora Tower, 2nd Floor
PO Box 17469 Khalidiya

Kuwait 72455
Tel: (965) 240-4470
Fax: (965) 242-4047
Email: dmpfeiffer@BryanCave.com
Contact: Mr. David Pfeiffer
Title: Partner
Tel: (965) 240-0261
Fax: (965) 240-0260
E-mail: salim@sdsslaw.com
Contact: Dr. Salim Ali
Title: Attorney & Legal Advisor

Salman Duaij Al-Sabah Law
Office
P.O. Box 5117 Safat
13052 Kuwait

Al-Sarraf & Al-Ruwayeh (in
association with Stephenson
Harwood)
P.O. Box 1448 Safat
13015 Kuwait

Tel: (965) 240-0061
Fax: (965) 240-0064
E-Mail: shabbas@asarlegal.com
Contact: Mr. Issam "Sam" Habbas
Title: Attorney-at-Law

Yousef Essa Al-Matar Law Office
P.O. Box 23198 Safat
13092 Kuwait

Tel: (965) 241-2283
Fax: (965) 242-740
Contact: Mr. Yousef Essa Al-Matar
Title: Attorney-at-Law

- **Web Resources**

For local service providers, please visit CS Kuwait web site:
www.buyusa.gov and www.export.gov/kuwait

For participation in local exhibitions, please visit:
Kuwait International Fair Company's web site at:

www.kif.net and
Kuwait Fairs Company's web page at:
www.marafiegroup.com

For information about various Kuwaiti laws pertinent to business, please visit
Kuwait Chamber of Commerce and Industry's web page at:
www.kcci.org.kw

Kuwait Economic Society:
www.kuwaites.org

Kuwait Computer Society:
www.kcsnet.org

Kuwait Pharmaceutical Association:
www.kwphas.addr.com

Kuwait Medical Association:
www.kma.org.kw

Kuwait Association of Accountants and Auditors:
www.kaaa.net

Kuwaiti Bar Association:
www.kbar.org

Kuwaiti Society of Engineers:
www.kse.org.kw

The Kuwaiti Industries Union:
www.arabianproducts.com/kiu.tpl

- **Web Resources**

For local service providers, please visit CS Kuwait web site:
www.buyusa.gov/kuwait and www.export.gov/kuwait

For participation in local exhibitions, please visit:
Kuwait International Fair Company's web site at:
www.kif.net and
Kuwait Fairs Company's web page at:
www.marafiegroup.com

For information about various Kuwaiti laws pertinent to business, please visit
Kuwait Chamber of Commerce and Industry's web page at:
www.kcci.org.kw

Kuwait Economic Society:
www.kuwaites.org

Kuwait Computer Society:

www.kcsnet.org

Kuwait Pharmaceutical Association:

www.kwphas.addr.com

Kuwait Medical Association:

www.kma.org.kw

Kuwait Association of Accountants and Auditors:

www.kaaa.net

Kuwaiti bar Association:

www.kbar.org

Kuwaiti Society of Engineers:

www.kse.org.kw

The Kuwaiti Industries Union:

www.arabianproducts.com/kiu.tpl

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.

CHAPTER 4

LEADING SECTORS FOR U.S. EXPORT AND INVESTMENTS

- **Agricultural Sector**

Leading sector # 1: Corn oil (FOD)

Corn oil is the preferred cooking oil in Kuwait and other Gulf countries. Since 1992, KFMBC, a local firm, has imported U.S. corn oil in bulk and repacked for retail. Consumption of corn oil, and consequently imports from the U.S., is increasing steadily as the locally packed oil is competitively priced. Singapore, the United Arab Emirates, Saudi Arabia and Oman, frequently using repackaged U.S. corn oil, are other principal suppliers of corn oil to the Kuwaiti market. In 2005, U.S. and allied forces present in Kuwait and Iraq, commercial interests along with aid shipments to Iraq should generate strong demand from all sources, including the U.S.

	2003 (Thousand Metric Tons)	2004	2005
A. Total Market Size	26	28	30
B. Total Local Production	0	0	0
C. Total Exports	2	4	4
D. Total Imports	28	32	34
E. Total Imports from U.S.	16	22	24

Source: ATO-Dubai estimates

Leading Sector # 2: Poultry Meat (FOD)

U.S. poultry meat, particularly chicken parts and to a lesser degree whole chicken and turkey, are well known for their high quality. This past year witnessed a large influx of branded chicken parts at very competitive prices. Brazil, Saudi Arabia, France and Denmark dominate the market for frozen whole chickens. Brazil and the U.S. dominate the market for chicken parts. Whole chickens represent 90 percent of total chicken meat imports. The preferred size for whole chicken ranges from 900-1,200 grams per bird. Chicken parts are imported in two-pound trays. In 2005, U.S. and allied forces present in Kuwait and Iraq, commercial interests along with aid shipments to Iraq should generate strong demand from all sources, including the U.S.

	2003	2004 (Thousand Metric Tons)	2005
A. Total Market Size	90	92	94
B. Total Local Production	28	28	28
C. Total Exports	2	6	6
D. Total Imports	64	70	72
E. Total Imports from U.S.	6	10	10

Source: ATO-Dubai estimates

Leading Sector # 3: U.S. Beef

U.S. beef, particularly frozen beef and to a lesser degree chilled beef, are well known for their high quality and are sought after by the higher-end hotels and restaurants. Rapid expansion of the American fast food/quick service restaurants in Kuwait prompted a marked increase in import of U.S. beef. India and Australia are the principal suppliers of frozen beef in the market. Imports from Europe, specifically from Ireland, France and the Netherlands, have been curtailed due to the BSE problem. Imports from the U.S. were ban throughout 2004 after BSE was detected in the one cow. That ban was lifted in late December 2004 except for product from Washington State. In 2005, U.S. and allied forces present in Kuwait and Iraq, commercial interests along with aid shipments to Iraq should generate strong demand from all sources, including the U.S.

	2003 (Thousand Metric Tons)	2004	2005
A. Total Market Size	17	18	20
B. Total Local Production	1	1	1
C. Total Exports	0	1	2
D. Total Imports	16	18	21
E. Total Imports from U.S.	4.0	1.5	4.0

Source: ATO-Dubai estimates

- **Commercial Sectors**

Leading Sector # 1: Pollution Control equipment (POL)

Overview

Main Kuwaiti public corporations are aware of the significance of environmental and pollution issues. As a result, the three major oil and petrochemical companies allocated substantial funds to carry out environmental projects to reduce environmental hazards. The Ministries of Energy and Public Works carry out projects that are environmentally friendly. All developmental and construction projects cannot be approved in their final forms without the approval of the Public Authority of Environment. For example, the following three major projects contain environmental studies and surveys: the development of Boubyan Island, the development of

Failaka Island, and the construction of the Jaber Causeway which will link Subbiya (marshland) with the main land. The Government is offering these projects to the private sector. In addition, the Ministry of Health will shortly build an incineration unit to dispose of hazardous medical waste through the autoclave technology. In brief, this sector is expecting major growth potential. There is high demand for environmental consultants. American products are well received in the market but there is strong Canadian and European competition.

U.S. \$ Millions *	2002 (Actual)	2003 (Actual)	2004 (Estimated)
Total Market Size	24	32	50
Total Local Production	00	6	6
Total Exports	00	00	00
Total Imports	24	26	44
Total Imports from U.S.	7	12	20

LEADING SECTORS FOR U.S. EXPORT AND INVESTMENTS

** Figures above do not include annual costs for municipal waste collection in the amount of U.S. \$150 million paid by Kuwait Municipality. These services are conducted by local companies.*

Best Products/Services

- Emissions from power plants and refining facilities;
- Emissions from various plants, which were built in the past without proper attention to environmental standards;
- Oil spill in the so-called oil lakes in the Kuwaiti desert as a result of putting fire to more than 600 oil wells in 1990 during the Iraqi invasion of the country;
- Huge amounts of waste (municipal) and land fill; and
- Contamination as a result of destroyed weapons and military vehicles by depleted uranium (DU).

Opportunities

Opportunities for American companies lie in the above prospects. Two new petrochemical plants (Aromatics and olefins) and a fourth refinery will be built shortly and they require the latest environment friendly technology. A major power plant will also be built in the near future which definitely needs clean technology. The Ministry of Defense will shortly address the issue of depleted uranium, due to the first Gulf War. The existing oil facilities need better environmental measures to protect the environment and the employees' safety and health. Hundreds of millions of dollars will be spent to apply stringent environmental measures.

(Commercial Specialist/s: Najla Sadeq/Kamal Zaher)

Resources

Environment Public Authority: www.epa.org.kw
Public Authority for Industry: www.pai.gov.kw
Kuwait National petroleum Co. (KNPC)-refineries: www.knpc.com.kw
Petrochemical Industries Co. (PIC): www.pic.com.kw
United Arab Shipping Co.: www.uasc.com.kw
Kuwait Oil Tankers Co.: www.kotc.com.kw
Kuwait Oil Co.: www.kockw.com

Leading Sector #2: Oil & Gas Supplies, Equipment, and Services (OGS)

Overview

Kuwait is a major oil producer and has about 10 percent of the world's oil reserves. It currently produces about 2.4 million barrels of crude oil per day and is planning to increase production to 3.5 million barrel per day by 2010, which will require the development of the Northern Oil Fields - the so-called "Project Kuwait" - in collaboration with international oil companies.

American supplies, equipment, services and technology are well received by the Kuwait oil sector, which employs a large number of U.S.-educated Kuwaiti engineers. The oil sector's contracts are highly competitive, although American companies tend to have the lead in contract management, engineering of major projects and as major suppliers of material and equipment.

American companies that manufacture or supply oil and gas related materials, equipment and services and which are interested in the Kuwaiti market should know that the Embassy Commercial Section recruits and leads a large delegation (both private and governmental) to the annual Offshore Technology Conference (OTC) held in Houston, Texas the first week of May every year.

U.S. \$ Million	2002 (Actual)	2003 (Actual)	2004 (Estimate)
Total Market Size	600	630	650
Total Local Production	25	30	30
Total Exports	00	000	000
Total Imports	575	600	620
Imports from U.S.A.	230	240	264

**Figures above reflect allocations for projects that may sometimes take up to three years to finish.*

***Figures also include imports and services from U.S. companies overseas.*

Best Products/Services

Best products/services in the oil sector include: consulting services, engineering, procurement and contracting (EPC) services for various major projects, refining technologies, environmental consultants, and control and instrumentation systems. Very shortly, offshore drilling will be on demand. A new oil export facility (US \$800 million), a new refinery, a new gathering center, and a major piping network will be announced for contracts, both local and international.

Opportunities

The following opportunities in the form of projects already tendered or will be tendered are open for international contractors and suppliers:

A. Kuwait Oil Company (KOC):

Project: Development of some production facilities and relocation of pipelines (RFP/775)
Status: Under evaluation
Cost: 2 phases of the project will cost about KD550 million (about US\$ 1.9 billion – US\$ 2 billion)
Duration: 30 months
PMC: Fluor, Holland

Project: Capacity Expansion for compression and medium crude processing (RFP/860)
Status: Under evaluation
Cost: KD 25 million (about US\$85 million)
PMC: Fluor, Holland

Project: EPC replacement of North Kuwait Crude Oil Export System (RFP/699)
Status: Under construction
Cost: KD 15 million (US\$ 50.67 million)
PMC: Fluor, Holland

Project: Crude Export facilities (RFP/1009)
Status: Under bidding (Closing date in 2/2005)
Cost: KD 251.8 million (about US\$ 850 million)
Scope of work: Across country piping, CP system, DCS, PLC control system, metering skids, and offshore works
PMC: Fluor USA/Holland

Project: Telemetry for Gas and Condensate
Status: Under evaluation
Cost: US\$ 50-70 million
PMC: Fluor USA/Holland

Project: Full maintenance services of production facilities in north and west areas of Kuwait (RFP/915)
Status: Under evaluation
Cost: US\$ 40 million to US\$ 60 million

Project: EWDP Project (RFP/407)
Scope: Water and chemical injection, F& G system, pumps, and CP system
Status: Under construction
Cost: US\$210 million

B. Kuwait National Petroleum Co. (KNPC)

Project: Construction of Ethane Gas Extraction Unit (RFP/1550/CA/BD)
Scope: 1,140 million cft per day of gas & extract ethane from lean gas of LPG at Mina Al Ahmadi. ERU supply feed stock for new ethylene and ethylene derivative capacity planned at Equate
Status: Under evaluation
PMC: Fluor USA/Holland

Project: EPC of a new refinery
Cost: about US\$ 3.5 billion
Scope: Processing of 400,000 crude oil barrels/day; basic objective is to provide fuel oil for thermal power stations
Status: Under bid preparation for EPC contract
PMC: Fluor USA/Holland

Project: Modernization of instrumentation and control systems (Mina Al Ahmadi)
Cost: About US\$65 million – US\$100 million
Status: Future project
PMC: Fluor USA/Holland

A similar project is planned for Mina Abdulla refinery at a cost of US\$ 35 million.

C. Petrochemical Industries Co. (PIC)

Project: Aromatics Plants: Paraxylene, benzene, styrene units and utilities
Cost: \$2 billion
Status: Under bidding
Licensor: Dow/USA
PMC; Bechtel/UK

Project: Olefin –II: Ethylene glycol, polyethylene, ethylene units and utilities
Cost: About US\$ 2 billion
Licensor: Dow/Technip
PMC: Fluor USA/Holland

(Commercial Specialist: Kamal Zaher)

Sources:

Kuwait National Petroleum Co. (KNPC)-refineries: www.knpc.com.kw
Petrochemical Industries Co. (PIC): www.pic.com.kw
Kuwait Oil Co.: www.kockw.com

Leading Sector # 3: Training Services (EDU)

Overview

The Government of Kuwait (GOK) is the main employer of Kuwaitis and employs about ninety-one percent of Kuwait's labor force. Civil servants come from various educational backgrounds but most of them lack professional training. Therefore, various ministries and the Civil Service Commission hold various training courses and programs to upgrade their employees' performance capabilities or skills. A large number of private institutes offer training courses of various types, with special emphasis on computer skills, foreign languages, communications skills, and information technologies.

The Kuwait Chamber of Commerce and Industry (KCCI) have a training center that provides various types of training programs (one to two weeks long) for the private sector workers. The Oil Sector's Training Center also regularly seeks reputable training institutes to work with and to have specialists lecture on all various aspects of the oil industry. The Ministry of Defense contracts with a foreign language institute to provide teachers of English for its personnel. The Public Authority for Applied Education and Training provides education and training in various fields to prepare its alumni for taking up jobs with the government. The annual American Society for Trading and Development (ASTD) holds an annual exhibition, which attracts a large number of training officials in various government entities.

The following figures show the expenditures for training in both the public and private sectors:

U.S. \$ Millions	2002 (Actual)	2003 (Actual)	2004 (Estimated)
Total Market Size	10.5	11	12.5
Public Sector	6	7.5	7.5
Private Sector	4.5	3.5	5
U.S. Market Share	2.5	3	4

Best Prospects/Services:

- Foreign languages, especially English
- Computer training (developing office skills)
- IT applications
- Management training (various levels)
- Project management training
- Training on various banking and financial services

Opportunities:

Training opportunities exist in the market; training providers need to visit and offer their credentials and capabilities to various public institutions.

(Commercial Specialist: Kamal Zaher)

Sources: Civil Service Commission, Kuwait University, Public Authority for Applied Education & Training, Oil Sector, New Horizon and HumanSoft, InfoCenter, and several major private institutes.

Leading Sector # 4: Information Technology (IT)

Overview

Kuwait, with a population of 2.4 million, is the third largest information technologies (IT) market in the Gulf region, after Saudi Arabia and the UAE. The total market for IT hardware and software in Kuwait was estimated at US \$120 million for 2002, with software programs representing 40 percent of sales. There are 100,000 Internet subscribers in Kuwait. However, this relatively low figure is deceptive, as multiple users for these subscriber accounts boost the overall Internet usage to over 250,000 individuals. The number of subscribers and users is projected to increase at a rate of 8 to 12 percent per year.

Because of the relatively high penetration rates of IT and Internet services in Kuwait, e-commerce has not made significant inroads, and traditional patterns of retailing, wholesaling and government services persist. However, major private and public e-commerce initiatives currently being implemented in Kuwait could lead to revolutionary changes in the way Kuwaitis do business and receive government services. Reflecting this change, e-commerce transactions are expected to exceed US \$15 million by 2003 and US\$ 25 by the end of 2004. This anticipated growth should lead to exceptional opportunities in Kuwait for American suppliers of virtually all types of IT hardware/software and e-commerce services.

To improve Internet and telecommunication infrastructure, the Ministry of Communications will build a fiber optic network, which will cost about US \$170 million.

Market acceptance of American IT and e-commerce products and services in Kuwait is very strong. Kuwaitis are very well informed IT consumers and view American products as superior technology. However, European and Asian IT competitors are also active, making Kuwait a very competitive and price sensitive market.

US \$ Millions	2002(Actual)	2003 (Actual)	2004 (Estimated)
Total Market Size	110	121	133
Total Local Production	000	000	000
Total Exports	000	000	000
Total Imports	110	121	133
Total Imports from U.S.	25	36.3 *	000

** Due to the constant construction of new residential units and the huge commercial complexes, Post anticipates a significant growth in American exports for this sector.*

Best Prospects/Services

The best IT products and services are related to:

- Internet Service Provider (ISP) Services;
- Transaction Security Systems/Services;
- Networking & Communications Systems/Services;
- Outsourcing; and

-B2C/B2B/G2C Services.

Opportunities

Best opportunities lie in the above best prospects. American companies pursuing this sector of the market need to visit the country and appoint efficient and competent local agents to be aware of the market needs for development and of the available opportunities.

(Commercial Specialist/s): Najla Sadeq/Kamal Zaher)

Sources:

Wataniya Telecom: www.wataniya.com

KEMS: www.zajil.com

Qualitynet: www.qualitynet.com

Mobile Telecommunications Co.: www.mtc.com.kw

Best Prospect # 4: Air Conditioning and Refrigeration Equipment (ACR)

Overview

Extremely high temperatures, excessive seasonal humidity, and frequent summer dust storms make life in Kuwait almost impossible without air conditioning and refrigeration equipment and services. Construction activity, both in the residential and commercial sectors, is booming. Huge and numerous commercial complexes, high-rise buildings and thousands of housing units are being built everywhere in the country. Plans are still underway to build a new city in the north called Ahmed Al Jaber City. This activity will ensure a high demand for quality, environmentally safe air conditioning and cooling systems that conserve energy during periods of peak demand.

Demand for refrigeration is also high in order to preserve imports of meat, foodstuff, and fruit for long periods before distribution. American products perform well and have a high reputation in this market.

U.S. \$ Millions	2002 (Actual)	2003 (Actual)	2004 (Estimated)
Total Market Size	162.7	168.2	185
Total Local Production	5.4	6.2	6.8
Total Exports	00.0	00.0	00.0
Total Imports	157.3	162.0	178.2
Imports from U.S.	21.0	25.0	27.5

Best Prospects/Services

- Central cooling and heating systems, of large capacity
- Refrigeration chilling systems for huge warehouses to meet the increasing demand on this service to cater to the needs of the Iraqi market.

(Commercial Specialist: Kamal Zaher)

Sources:

1. Foreign Trade Statistics published and released by the Central Census Department, Ministry of Planning (2003);
2. Central Bank of Kuwait, Annual Report, 2003.

Leading Sector # 5: Medical Supplies & Equipment

Overview:

The Government of Kuwait, through the Ministry of Public Health, is the major provider of healthcare services. It has a huge network of hospitals, both general and specialized, and polyclinics, which cover all parts of Kuwait to provide services to the 2.5 million Kuwaitis and foreigners. As the service is very costly, the Ministry imposed health insurance on the 1.6 million expatriates living in the country. It also issued permits and leased land for investors to build and operate private hospitals as per the Ministry's standards. At least 8 new hospitals are currently being constructed in various areas to meet the increasing demand on medical services.

Kuwait Ministry of Health recently announced its budget for its upcoming projects in the amount of KD151 Million (approximately US\$455 million). KD 77 million (about US\$ 269.5 million) will be spent on the rehabilitation of the major hospitals and adding more outpatient clinics to already existing hospitals. Another KD61 million (about US\$ 213.5 million) will be used to procure new medical equipment and devices, which have expired.

U.S. \$ Millions *	2002	2003	2004 (estimated)
Total Market Size	6.5%	7%	8%
Total Local Production	2%	2%	2%
Total Exports	---	---	Undetermined
Total Imports	\$400	\$460	\$500
Imports from the U.S.	\$90	\$110	\$150

- **Best Prospects:**
 - Dental care materials and equipment
 - Imaging equipment and machinery
 - Cardiological, gastro-intestinal, and urinary diagnostic machinery and equipment
 - Cancerous treatment machinery and materials.
 - Hospital management consultants
 - Hospital and labs furniture and equipment
- **Opportunities:**
 - 8 new hospitals are under construction
 - Replacement of old equipment and machinery with new ones

Resources:

- Various importers and hospitals.
- Media sources.
- Office of the Assistant Undersecretary of MoH.
- Global Investment House (Annual Report).

Leading Sector # 6: Auto Parts/Services Sector

(\$ U.S. Million unless otherwise noted)

Overview:

	Actual2002	Actual2003	Est.2004
Total Market size	98.1	106.8	110
Total Local Production	0	0	0
Total Exports	4.2	5.5	7.7
Total Imports	93.9	101.3	145
Imports from the U.S.	42	54	65

Auto Parts/Services Sector is generally the second largest market in Kuwait, and since these products are not being manufactured in the country and are very high in demand, then they are 100% imported from all over the world. Local public is a large consumer of all kinds of necessary and accessory spare parts due to the large number of cars already in the country; more are continuously being imported.

Best Products/Services

The most products being imported from abroad are new and rebuilt Japanese engines and transmissions, along with all the parts that go with these systems. They have a low cost, are easy to install, and have a longer life span than others.

Opportunities

Several Japanese car manufacturers have factory/distributors in the U.S., which over the years became large and inexpensive to export overseas. Kuwaiti importers opened their eyes on importing these original parts from the U.S. instead of Japan; therefore; American manufactures and distributors of Japanese engines and transmissions are encouraged to offer and export to Kuwait.

Resources

1. Decision makers of reputable companies interview
2. News paper articles

Leading Sector No. 7: Automobile/Light Trucks/Van

(\$ U.S. Million unless otherwise noted)

Overview:

	Actual 2002	Actual 2003	Est.2004
Total Market Size	1491.4	1951.2	2170
Total Local Production	0	0	0
Total Exports	33.4	139.2	170
Total Imports	1458	1812	2010
Imports from the U.S.	330	469	590

The new-and-used vehicles market in Kuwait is large compared to the size of the country, which depends completely on imports from different countries. A huge diversity of cars is available but the most reputable are American and Japanese for their ability to handle the harsh summer weather and for having the most efficient air conditioning systems.

Best Products/Services

The GMC Suburban used or new is the highest selling American vehicle in the market. Its large family size and mechanical reliability suit the Kuwaiti consumer best. Toyota Camry "which is also manufactured in the U.S." is the best-selling four-door sedan.

Opportunities

Every American used or new car dealer should attempt to export whatever is new or popular to the Kuwaiti market by finding a suitable importer.

Resources

1. Twelve years of personal export experience to a family business in Kuwait.
2. Attending auto auctions.
3. Newspaper articles.

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CHAPTER 5

TRADE REGULATIONS and STANDARDS

- **Import Tariffs**
- **Trade Barriers**
- **Import Requirements and Documentation**
- **U.S. Export Controls**
- **Temporary Entry**
- **Labeling and Marking Requirements**
- **Prohibited and Restricted Imports**
- **Customs Regulations and Contact Information**
- **Standards**
- **Trade Agreements**
- **Web Resources**

- **IMPORT TARIFFS**

On April 1, 2003, the National Assembly approved adoption of the GCC Unified Customs Law (UCL). The UCL imposes a five percent ad valorem duty on all food products imported from non-GCC countries. There is no customs duty on food or beverage products. Tobacco products are assessed at 100 percent customs duty.

All other imports are subject to a five percent general tariff. This flat rate is applied to the cost, insurance, and freight (c.i.f.) value of imported goods. In cases where imports compete with goods that are locally manufactured by "infant industries," the Ministry of Commerce and Industry may impose protective tariffs of up to 15 percent. In such cases, tariff reviews and determinations are conducted on a case-by-case basis. Effective July 1, 1997, the Council of Ministers increased the customs duty on cigarettes and tobacco from 70 percent to 100. An Amiri Decree (2/2002) was issued recently to set taxes on all imported cigarettes and tobacco products by 100 percent, or to impose US \$26 customs on every 1000 cigarettes. A Ministerial order was issued on June 11, 2002 and directed to the Director General of customs to implement this law. Gulf Cooperation Council (GCC) countries are pondering another increase of cigarette and tobacco tariff.

For perishable imports arriving via air, land, or sea, customs clearance is normally prompt, taking about three hours. To complete clearance, the importer presents the import license and quality test certificate. Recurring perishable imports can be cleared and taken to the importer's premises after evidence that a sample has been submitted to the Municipality for quality testing. The testing period may take as long as three weeks. Efforts are underway to authorize private testing facilities at the Kuwait Institute for Scientific Research (KISR) to alleviate this problem. The Government is aware of this chronic and irritating problem but nothing has been done to resolve it.

American exporters of perishable goods are advised to appoint their own quality surveyors in Kuwait to protect their rights. Local importers have their own connections with the local officials and may obtain certificates in their favor, e.g.,

stating that competitors' imports are wasted, damaged, or not fit for human consumption.

It should also be noted that incoming shipments (sea freight) to Kuwait currently require a long time to unload because of the long waiting period at ports. Priority is given to ships carrying materials to Iraq and to the Coalition forces. Assessment of duty on imported goods is usually based on the commercial invoice. However, if customs officials believe the declared value is not realistic, they are authorized to make their own assessment.

Late in 2001, all docking fees were cancelled at Kuwait ports so as to attract new foreign investment.

- **Trade Barriers**

Major trade barriers include the following:

1. Foreign companies need a local agent/sponsor for doing any work with the Government. In other words, foreign companies cannot work directly with the Government both in procurement and in projects. This is a requirement of the country's Commercial Law.
2. The high corporate taxation, which levies up to 55% of the foreign companies' net income. This law has been in practice since 1955 and despite talk of amendment, nothing has happened as yet.
3. The Offset Law which obligates all foreign companies selling to or contracting with the Government an amount that exceeds US\$ 10 million to invest about 35% of the contract's value in Kuwait. There is serious discussion to eliminate this requirement.
4. Inadequate protection of IPR.
5. Inadequate transparency in the government's procurement and tendering procedures.

- **Import Requirements and Documentation**

Imports to Kuwait require three certified and legalized copies of the commercial invoice, three copies of the Bill of Lading (airway bill), and a Certificate of Origin.

- **Import Licenses**

All imported meats (beef and poultry products) require a health certificate issued by the country of export and a Halal slaughter certificate issued by an approved Islamic center in that country. Exporters should contact the U.S. Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) for further information, or the Agricultural Trade Office in Dubai, UAE.

- **Certificate of Origin:**

- Must be certified by a U.S. Chamber of Commerce - affiliated Chamber of Commerce or the National U.S.-Arab Chamber of Commerce. Legalization is

performed by the Kuwait Consulate in New York City or by the Kuwait Embassy in Washington, D.C.

- Contains the full name of the manufacturing plant or producer as well as the full name of the freight forwarder.
- Shows means of transportation.
- Indicates country of origin.

Invoices and documents should be sent to the importer before the arrival of goods in Kuwait, as goods cannot be cleared through customs without these documents. Shipments of live animals, animal products, plants, or plant products require sanitary and health certification and inspections from the country of origin.

Private Kuwaiti companies usually make payment by Letters of Credit through a Kuwaiti bank. Government agencies, except the Ministry of Defense, pay letters of credit directly through the Central Bank of Kuwait.

In brief, export documentation should include:

- detailed description of the goods;
- unit as well as total prices;
- net and gross weight (metric);
- type of packing;
- full name and address of the manufacturers and the exporters;
- trademarks and numbers of the goods as shown in the manifest;
- means of transportation, the shipper's port and country of origin; and
- certification of the invoices by the authorized organizations.

• **U.S. EXPORT CONTROLS**

American companies exporting U.S. controlled items to Kuwait must request an export license for such items. These items are of dual use application such as computers, hi-tech items, industrial items with potential nuclear applications, and defense-related products. The American company can approach the Bureau of Industry and Security (BIS) in the U.S. Department of Commerce to request the export license.

There are few restrictions on exports from Kuwait, though government-subsidized commodities are not authorized for export. Only a few items require export licenses and no duties are levied on exported goods. Foreign contractors, however, must have a letter of clearance from the Director of Income Taxes at the Ministry of Finance in order to export equipment from Kuwait for use on a project outside of Kuwait. This may be particularly important for exports into Iraq, either to U.S. or Coalition military forces, or to Iraqi parties.

• **TEMPORARY ENTRY**

Products imported into Kuwait that does not comply with established standards and regulations may be allowed a three-month temporary entry against storage fees. If

the exporter fails to correct the fault, the goods will either be re-exported at the exporter's expense, or will be auctioned.

Goods coming into Kuwait for transshipment may be allowed temporary entry. In addition, goods being imported for trade shows or exhibitions can be entered via a temporary import bond. However, temporary import bonds can be very expensive to secure; many exhibitors have found it less costly to simply pay the five percent tariff, even for goods that will be re-exported.

- **LABELING AND MARKING REQUIREMENTS**

All goods imported into Kuwait must be clearly marked with the country of origin. Food labels must include product and brand names, production and expiry dates, country of origin, name and address of the manufacturer, net weight in metric units, and a list of ingredients in descending order of importance. All fats and oils used as ingredients must be specifically identified on the label. Labels must be in Arabic/English or Arabic only. Arabic stickers are accepted.

- **Prohibited and Restricted Imports**

Kuwait prohibits the importation of pork, pork products, alcoholic beverages, products containing alcoholic beverages, gambling machines and materials that could be considered pornographic. Kuwait also prohibits imports from Israel and imports of Israeli-made products.

- **Customs Regulations and Contact Information**

For information about customs, please contact:

The Public Administration of Customs

Tel: +965 484 3490

Fax: +965 483 8056

E-mail: g8customs@hotmail.com

Contact: Mr. Ibrahim Alghanim, Director General

(Note that the U.S. Customs Service currently has a highly trained officer on detail to Kuwaiti Customs.)

- **STANDARDS**

The Department of Standards and Meteorology (DSM) at the Public Authority for Industry (PAI) has developed some 300 Kuwaiti standards that are currently in force. These have been based on a combination of American, British, German and other national standards modified to suit Kuwait.

In addition, Kuwait has adopted a number of import regulations that conform to Gulf Cooperation Council (GCC) standards. Most importantly:

- (1) Instruction manuals for imported durable goods must be translated into Arabic; and,

- (2) Consumer durable goods including, but not restricted to, large appliances must be able to operate without a transformer on Kuwait's 240 volt, 50 hertz power transmission system.

- **SHELF-LIFE STANDARDS**

Kuwait enforces a shelf-life standard for 44 food products. The manufacturer's established shelf life is accepted for other food products. The manufacturer must print production and expiry dates on the original label or container. Dates cannot be added after the fact via a sticker. Products must arrive at destination with at least half the shelf-life duration still remaining. The U.S. supplier should work closely with the importer to ensure compliance with local shelf-life requirements.

Food and pharmaceutical products should also bear the following labeling information:

- Batch or lot number
- Manufacturing date
- Expiry date or validity
- Description of contents
- Storage conditions
- Name of the pharmacopoeia (for a pharmacopoeia product)

Embassy Standards Point of Contact:

Mr. Stephen Carrig

Chief of the Economic Section

Tel: (+965) 539 5307 ext. 2230

Fax: (+965) 538 0282

E-mail: carrigsj@state.gov

- **INTERNATIONAL CONFORMITY CERTIFICATION PROGRAM (ICCP)**

In April 2003, the Government of Kuwait adopted an import standards program similar to the International Conformity Certificate Program (ICCP) in effect in Saudi Arabia since 1995. The certification program applies to nearly 40 categories of regulated products, including a wide range of common use goods, such as electronic, automotive, and chemical imports. Similar to Saudi Arabia, Kuwait selected Intertek Testing Services (ITS) to administer the ICCP globally on its behalf. ITS operates laboratories in nearly 50 countries around the world, including many labs in the United States. Exporters are not required to use ITS labs, as long as their products achieve certification from an acceptable certifying body.

Kuwait's ICCP has raised concerns from the US Trade Representative's office, which considers the program as an unfair and unnecessary barrier to trade. For more information on Kuwait's ICCP, contact the Public Authority for Industry (PAI) via E-mail: industry@pai.gov.kw and Web Site: <http://www.pai.gov.kw>.

Contact information:

Eng. Khalid Al-Fahed
Controller of Standards Control
Tel: (+965)
Fax: (+965)
E-mail: kowsmd@pai.gov.kw

Government Center of Testing & Laboratories
Contact: Mr. Ali M. Al-Shahabi
Chief Engineer
Tel: (965) 482 1671
Fax: (965) 4811276

For information about various Kuwaiti laws pertinent to customs, tariffs, import regulations, and export requirements to Kuwait, you may visit the Kuwait Chamber of Commerce and Industry's Web Site: www.kcci.org/kw

- **Trade Agreements**

Kuwait has signed investment agreements with Germany, France, Italy, Russia, China, Romania, Poland, Hungary, Turkey, Malaysia, Pakistan, Switzerland, Malta, Finland, Ethiopia, Croatia, Tajikistan, Austria, Bulgaria, Kazakhstan, Morocco, Mongolia and the Czech Republic. In the past few years, Kuwait has signed a bilateral investment agreement with Pakistan and a free trade agreement (FTA) with Jordan. Kuwait has initialed agreements on bilateral investment with Denmark, Belgium, the Netherlands, Thailand, Ukraine, Latvia, Lithuania, Lebanon, Bosnia/Herzegovina, and India. Kuwait began talks with Singapore on a Free Trade Agreement in December 2004.

- **TRADE AND INVESTMENT FRAMEWORK AGREEMENT (TIFA)**

Kuwait signed a trade and Investment Framework Agreement (TIFA) with the United States in February 2004. The TIFA is the first step in developing economic reform and trade liberalization criteria to strengthen the U.S. – Kuwait economic relationship and to work toward an eventual Free Trade Agreement. At the first bilateral TIFA Council meeting, held in May 2004 in Washington, D.C., it was agreed that the TIFA process would provide for periodic technical discussions. Several areas in particular stand out as needing further attention: intellectual property rights, standards-related issues, and service and investment requirements. Technical experts on both sides continue to work on these areas. The U.S. Embassy in Kuwait, the Kuwaiti Embassy in Washington, the USTR, and the Kuwaiti Ministry of Commerce and Industry are working on bringing all sides together for the next TIFA Council Meeting in the first half of 2005.

- **Web Resources**

(For information about various laws of Kuwait, please visit Kuwait Chamber's web page at:

www.kcci.org.kw

General Administration of Customs has no web site.

Tel: (965) 4843490

Fax: (965) 483 8056

E-mail: q8customs@hotmail.com

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CHAPTER 6

INVESTMENT CLIMATE STATEMENT

- **Openness to Foreign Investment**
- **Conversion and Transfer Policies**
- **Expropriation and Compensation**
- **Dispute Settlement**
- **Performance Requirements and Incentives**
- **Right to Private Ownership and Establishment**
- **Protection of Property Rights**
- **Transparency of Regulatory System**
- **Efficient Capital markets and Portfolio Investment**
- **Political Violence**
- **Corruption**
- **Bilateral Investment Agreements**
- **OPIC and Other Investment Insurance Programs**
- **Labor**
- **Foreign Trade Zones/Free Ports**
- **Foreign Direct Investment Statistics**
- **Web Resources**

• OPENNESS TO FOREIGN INVESTMENT

Council of Ministers approved the implementing regulations for its new Direct Foreign Capital Investment Law-Law No. 8/2001- passed by the National Assembly on March 11, 2001, through Resolution No. 1006/1/2003 on November 1, 2003. The legislation authorizes foreign-majority ownership and 100 percent foreign ownership in certain industries that include:” industries except for projects...” or oil/gas production; infrastructure projects (water, power, waste water treatment or communications); investment and exchange companies; insurance companies approved by the Ministry of Commerce and Industry; IT and software development; hospitals and pharmaceuticals; air, land and sea freight; tourism, hotels, and entertainment; integrated housing projects and urban development; through foreign investor’s participation in Kuwaiti shareholding companies as per provisions of Law No.20/2000.

The Direct Foreign Capital Investment Law promotes foreign investment in Kuwait; authorizes tax holidays of up to ten years for new foreign investors; facilitates the entry of expatriate labor; authorizes land grants and duty-free import of equipment; provides guarantees against expropriation without compensation and the right to repatriate profits; and protects the confidentiality of proprietary information in investment applications, with penalties for government officials who reveal such data to unauthorized persons. New investors will be protected against any future changes to the law. Full benefit of these incentives, however, will be linked to the percentage of Kuwaiti labor employed by the new venture. The investor will also be obliged to preserve the safety of the environment, uphold public order and morals, and comply with instructions regarding security and public health.

Foreign firms still may not invest in the upstream petroleum sector, although they are permitted to invest in petrochemical joint ventures.

Kuwait's economy has been dominated by the state and the nationalized oil industry since the early 1970s despite efforts by the government to divest. The government acquired major holdings in private Kuwaiti firms -- particularly banks and insurance companies -- following stock market crashes in 1979 and 1982. After liberation from Iraq, the government passed a debt settlement law and purchased outstanding debts emanating from the stock market crashes and the Gulf War. Between 1995 and 1998, the government successfully divested over 50 percent of its equity holdings in private firms by selling off its full holdings in 28 firms and portions of holdings in 17 other firms, earning some US \$3.2 billion. The program was suspended in 1998 because of weakness of the Kuwait Stock Exchange, but resumed in May 2001 when the Kuwait Investment Authority sold 113 million shares (about 24 percent) of the Mobile Telecommunications Company (MTC). There were six times as many prospective buyers as could be accommodated. The sale fulfilled the government's intention to reduce its equity in MTC from 49 percent to 25 percent.

The Kuwait Stock Exchange (KSE) is the second largest bourse in the Arab world after Saudi Arabia's NCFEI. KSE lists 95 Kuwaiti companies and 11 companies from other Gulf States. It reopened in 1992 following the Gulf War and has a market capitalization of US \$61 billion (as of December 2003). The index grew 389 percent between 1994-2003 as the government divested itself of private holdings. The National Assembly ratified the "Indirect Foreign Investment Law" in August 2000, allowing foreigners to own 100 percent of all listed shareholding companies, except banks. Foreign investors require Central Bank's approval to own more than five percent of a Kuwaiti bank.

On July 9, 2001, the Kuwaiti government announced an ambitious five-year privatization program, which closely resembled past initiatives. The plan outlined a wide range of activities, but with little detail. The first year called for privatizing some gas station outlets and part or all of Kuwait Airways, which operated at a loss in 2000. Year two initiated privatization of post office, telegraph, and telecommunication services. Years three and four will complete the telecommunication privatization and initiate the privatization of the Ports Authority and Public Transport Company. The fifth and final year targets the power and water sectors, as well as Kuwait's Petrochemical Industries Company (PIC). Kuwait's National Assembly has made clear that any privatization program will have to insulate consumers from significant rate increases and protect the jobs of Kuwaiti employees. Privatization of existing government entities has not yet occurred.

After nearly four years of deliberation, however, the Sulaibiya Waste Water Treatment *Build, Operate, Transfer* (BOT) contract was signed in May 2001. The winning consortium, which includes U.S. firms, projects revenues of US \$390 million over 10 years. The project will process 50 million gallons of wastewater daily to be used for irrigation.

There have also been selected real estate BOT projects by privately owned Kuwaiti companies. The first-class US \$132 million Sharq Mall, owned by the National Real Estate Company, contains retail outlets, restaurants, theaters, and entertainment concessions. More recently, the Fifth Waterfront Development Project constructed Marina Mall. This US \$162

million BOT is owned by the United Realty Company and features high-end retail, eating, and entertainment outlets. A future BOT is planned for a central incinerator in the Shuaiba Industrial Area, a project that stipulates foreign participation with at least 25 percent equity.

Foreign-owned firms and the foreign-owned portions of joint ventures are the only businesses subject to corporate income tax, which applies to domestic and offshore income. Corporate tax rates can be as high as 55 percent of gross profits, but the government has put forward legislation to reduce the maximum rate to 25 percent. New foreign investors can be exempted from all taxes for up to 10 years under the new Direct Foreign Capital Investment Law.

Kuwaiti firms are not subject to the corporate income tax, but those registered on the Kuwait Stock Exchange (shareholding companies) are required to contribute 2.5 percent of their national earnings to the **Kuwait Foundation for the Advancement of Science (KFAS)**. The National Employment Law levies an additional 2.5 percent tax that will fund a program granting Kuwaitis working in the private sector the same social and family allowances provided to Kuwait's government workers. Kuwait levies no personal income tax.

Tax exclusions – besides those offered under the new Direct Foreign Capital Investment Law – for business expenses are limited and Kuwait's tax code is often ambiguous. For example, deductions are only three percent for agent commissions and head office expenses (mainly for turnkey supply and installation-type contracts).

The licensing authority of the Ministry of Commerce and Industry screens all proposals for direct foreign investment. In the past, this authority encouraged high-tech industries over sectors that were viewed as saturated, such as the hotel industry. The Foreign Capital Investment Committee (FIC), chaired by the Minister of Commerce and Industry and including representatives from the private and public sectors, will authorize investment incentives put forth under the new Foreign Investment Law on a case-by-case basis.

• **CONVERSION AND TRANSFER POLICIES**

After 27 years of linking the Kuwaiti dinar (KD) exchange rate to a basket of currencies, Kuwait decided to peg the dinar to the US dollar under a flexible peg from the beginning of 2003. The move is in preparation for the adoption of a single GCC currency in 2010. The Central Bank of Kuwait (CBK) will retain a band of plus or minus 3.5 percent in order to ensure a smooth evolution of the historic behavior of the KD that has traded within the specified band since liberation. For the last six years, the KD has fluctuated within a 3 percent band against the dollar*. There are no restrictions on current or capital account transactions in Kuwait beyond the requirement that all foreign exchange purchases be made through a bank or licensed foreign exchange dealer. Equity, loan capital, interest, dividends, profits, royalties, fees and personal savings can all be transferred in or out of Kuwait without hindrance. Under the new Foreign Investment Law, investors are also permitted to transfer all or part of their investment to another foreign or domestic investor.

**Source: National Bank of Kuwait Economic & Financial Review, June 2003.*

- **EXPROPRIATION AND COMPENSATION**

There have been no recent cases of expropriation or nationalization involving foreign investments in Kuwait. Nevertheless, as a safeguard, the new Direct Foreign Capital Investment Law guarantees against expropriation or nationalization except for the public benefit in accordance with existing laws; in this case, compensation will be provided without delay for the "real economic value of the project at the time of expropriation." When foreign companies were nationalized in the past, as with Kuwait's oil industry in the 1970s, the foreign interests were compensated promptly and effectively.

- **DISPUTE SETTLEMENT**

The Foreign Investment Law stipulates that Kuwaiti courts alone are responsible for adjudicating any disputes involving a foreign investor and other parties, although arbitration is permitted. Few contracts in Kuwait contain clauses specifying recourse to traditional commercial and political negotiation. According to the Central Bank of Kuwait, the Kuwaiti judicial system recognizes and enforces foreign judgments only when reciprocal arrangements are in place. Kuwait is a signatory to the International Center for the Settlement of Investment Disputes (ICSID, i.e. the Washington Convention). There have been no investment disputes involving American firms in Kuwait in over five years; commercial disputes are more common. In both cases, the slow pace of Kuwait's legal system often frustrates American claimants.

Kuwait has a developed legal system and a strong trading history. It has a civil code system influenced by Islamic law. As a traditional trading nation, the judiciary is familiar with international commercial laws. Kuwait has been a GATT member since 1963 and has signed a WTO agreement. Kuwait, however, is not a signatory to the WTO Government Procurement Code.

A feature of Kuwaiti law which U.S. business should be aware of is the application of travel bans which may be applied against individuals who have civil or criminal cases registered against them. The ban prevents individuals from departing Kuwait until the pending matter is settled or acceptable guarantees are offered. There have been indictments in which former Kuwaiti business partners have managed to have travel bans imposed on former U.S. partners for allegedly violating Kuwaiti civil law. Though very infrequent, such cases highlight the need to take extra care before entering into long-term business relationships in Kuwait.

- **PERFORMANCE REQUIREMENTS/INCENTIVES**

Government Procurement Requirements

Law No. 37 of 1964 (Articles 43 and 44) specifies the use of local products when available and prescribes a 15 percent price advantage for local firms in government tenders.

Boycotts

Kuwait publicly announced in June 1993 the end of enforcement of the secondary and tertiary Arab League boycotts of Israel. Although there are occasional reports that some tender requests contain boycott clauses reportable under U.S. anti-boycott laws, these usually result from clerical errors or the use of outdated forms. Kuwait has stated that it will wait for Arab League action before eliminating the primary boycott of Israel.

Shipping Requirements

The Kuwaiti government has insisted that cargoes for government projects originating in U.S. ports will no longer be prevented access in favor of the United Arab Shipping Program.

Participation In Research And Development

There are no specific restrictions on foreign participation in government-financed or subsidized research and development, but little activity of this kind has occurred to date. The Kuwait Institute for Scientific Research (KISR) has expressed interest in working with foreign firms. More options may become available for U.S. firms under Kuwait's Counter-Trade Offset Program and its new patent and trademark legislation (see below). The government would welcome programs that provide expertise unavailable locally, but these are likely to be evaluated on a case-by-case basis.

Visa and Work Permit Requirements

Kuwait has a stringent visa regime and most work permits require a local sponsor. The Foreign Investment Law, however, may redress this problem for new investors. Reciprocal changes between the U.S. and Kuwait--particularly the introduction of a 10-year multiple entry visa--have benefited U.S. business travelers. Foreign-born U.S. citizens, especially those of Middle Eastern descent, sometimes experience difficulties with visa and residency applications. Any problems experienced by potential U.S. visitors should be referred to the American Embassy or to the Bureau of Consular Affairs, U.S. Department of State, in Washington, D.C.

• RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Rights to private ownership and establishment are respected in Kuwait, although foreigners face selected restrictions. Licenses from the Ministry of Commerce and Industry are required for the establishment of all new companies, and government authorization is required for any incentives offered by the new Foreign Investment Law. As stated above, foreign ownership is restricted or prohibited in some sectors of the economy, and non-GCC citizens may not own land in Kuwait.

Kuwaiti law severely restricts the types of collateral to which creditors may have recourse in the event of default by a borrower. Banks may not foreclose on residential real estate property or personal possessions in the event of default, although they may sue the borrower for the balance due under the loan contract. Borrowers typically pledge a portion of their future severance benefits as collateral for a bank loan.

- **Protection of Property Rights**

Kuwait was elevated to the USTR's Special 301 Watch List in 2004 due to its failure to address serious and rampant copyright infringement and failure to amend its copyright law. Furthermore, Kuwait has failed to implement the 2002 work plan that outlined the steps it would take to increase IPR enforcement. In fact, in 2003, enforcement efforts remained insufficient and penalties for infringement remained inadequate to deter offenders. Kuwait continues to have the worst retail optical disc piracy rate in the region as well as problems with corporate end-user piracy, hard-disc loading piracy, and cable piracy. Kuwait Customs created a special IPR unit in April 2004 and began taking some enforcement actions. Other Kuwaiti government agencies and ministries had taken an active role in copyright enforcement by the end of 2004, and a new draft copyright was to be put before the National Assembly in 2005.

The Ministry of Commerce and Industry, through its Consumers' Protection Department is carrying out raids against pirates and violators of IPR rights. In a recent raid, it confiscated about 3 million pirated copies. It will keep up this due to the pressure and various reports that place Kuwait high on the list with major infringement in the Gulf region.

- **Patents and Trademarks**

Kuwait's most recent patent and trademark legislation was passed by the National Assembly in December 2000 and took effect on January 14, 2001 making Kuwait compliant with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The new law provides protection for 20 years and extends coverage to include pharmaceutical products. Industrial designs and closed circuits are protected for 10-15 years. Kuwait has effective trademark legislation but, again, penalties are light. Trademarks can be registered in Kuwait for 10 years and renewed indefinitely for additional ten-year increments. However, if a trademark has not been used for a five-year period, an interested party can apply to courts to have it cancelled. Registration gives the owner exclusive rights to use the trademark on the goods for which it is registered, and third parties can be prevented from using the mark on competing products. Registration (of a trademark) takes about 3 weeks and requires US\$60 fee. Trademark registration is linked to the Kuwaiti agent; when a new agent is selected, the trademark continues in force under the old agent's name until the new agent registers the trademark.

- **Transparency of Regulatory System**

Kuwait has not developed effective antitrust laws to foster competition, and its bureaucracy often resembles that of a developing country. Kuwait's open economy has generally promoted a competitive market. When government intervention occurs, however, it is usually to the benefit of Kuwaiti citizens and Kuwaiti-owned firms.

- **EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT**

Kuwait has a free but inefficient capital market where credit is allocated on market terms. Foreign investors can obtain credit through local banks. With the help of

government subsidies, the financial markets -- and particularly the commercial banks -- operated throughout the 1980s primarily to collect funds for the re-lending to favored customers. Payment discipline was lax and real economic losses common. Under a bank stabilization program introduced in 1992, the Central Bank of Kuwait purchased all of the outstanding domestic credits of Kuwait's commercial banks while eliminating all guarantees for profits, equity, and liabilities other than the banks' deposit liabilities. Henceforth, all losses would stay with the banks, which would be responsible for the management of all their assets and liabilities. In addition, the Central Bank improved bank supervision, resulting in a fairer and more efficient distribution of credit throughout the Kuwaiti banking system. Each of Kuwait's six commercial banks reported continued earnings growth in 2002.

- **BANK ASSETS**

The assets of Kuwait's commercial banks on September 30, 2004 were: (in '000s)

BANK	KD	U.S. \$ equivalent
National Bank of Kuwait	5,391,755	18,277,135
Gulf Bank	2,310,572	7,832,447
Commercial Bank of Kuwait	1,777,243	6,024,552
Al-Ahli Bank	1,666,943	5,650,654
Burgan Bank	1,747,396	5,923,376
Bank of Kuwait and the Middle East	1,684,409	5,709,861
TOTAL	15,016,701	50,223,080

US \$1 equals KD 0.295

The quality of local banks varies from blue chip, world-class to weak. Some bank assets have been non-performing in the past. The balance sheets of some local banks are heavily weighted toward lower-yielding government bonds. Legal, regulatory, and accounting systems are opaque but are generally consistent with international norms. The Central Bank of Kuwait requires annual reports from local banks to meet international accounting standards. U.S. business representatives are advised to seek local legal and financial advice for complicated investments and transactions.

There are few defensive measures to protect against hostile takeovers, which are rare in Kuwait. There is no evidence of private sector or government efforts to restrict foreign participation in industry standards-setting consortia or organizations. U.S. suppliers often have trouble, however, complying with specifications that are technologically-tailored to other (usually European, especially U.K.) suppliers. In addition, American suppliers' preference for turnkey projects often does not mesh with Kuwait's preference to split projects into a series of separately tendered, smaller projects.

Finally, U.S. investors should be aware that family, clan, and tribal ties throughout the business community and government can restrict foreign participation, investment, and control of domestic enterprises. Kuwait is a very big small town.

- **POLITICAL VIOLENCE**

Politically Motivated Damage to Projects and/or Installations

The potential for terrorist actions throughout the Persian Gulf region remains high, and the Government of Kuwait continues to take aggressive steps to ensure domestic security. Between October 2002 and January 2004, there were four terrorist attacks targeting Americans in Kuwait, killing two Americans and wounding four others. At this writing, Kuwaiti security forces are taking strong and effective action against known terrorist groups.

- **CORRUPTION**

The often-lengthy procurement process in Kuwait occasionally results in accusations of attempted bribery or the offering of other inducements by foreign bidders. This is a crime in Kuwait and there are currently several investigations and trials underway involving current or former Government officials accused of malfeasance. There have been no convictions for bribery, however, since the end of the Gulf War. In 1996, the Government passed Law No. 25, which requires all companies securing government contracts valued at KD 100,000 (US \$336,000) or more to report all payments made to Kuwaiti agents or advisors while securing the contract. The law similarly requires entities and individuals in Kuwait to report any payments they received as compensation for securing such government contracts.

- **BILATERAL INVESTMENT AGREEMENTS**

Kuwait has signed investment agreements with Germany, France, Italy, Russia, China, Romania, Poland, Hungary, Turkey, Malaysia, Pakistan, Switzerland, Malta, Finland, Ethiopia, Croatia, Tajikistan, Austria, Bulgaria, Kazakhstan, Morocco, Mongolia and the Czech Republic. In 2002, Kuwait signed a bilateral investment agreement with Pakistan and a free trade agreement (FTA) with Jordan. Kuwait has initialed agreements on bilateral investment with Denmark, Belgium, the Netherlands, Thailand, Ukraine, Latvia, Lithuania, Lebanon, Bosnia/Herzegovina, and India.

Trade and Investment Framework Agreement

Kuwait signed a trade and Investment Framework Agreement (TIFA) with the United States in March 2004. The TIFA is the first step in developing economic reform and trade liberalization criteria to strengthen the U.S. –Kuwait economic relationship and to work toward an eventual Free Trade Agreement. At the first bilateral TIFA Council meeting, held in May 2004 in Washington, D.C., it was agreed that the TIFA process would provide for periodic technical discussions. Several areas in particular stand out as needing further attention: intellectual property rights, standards-related issues, and service and investment requirements. The next Council meeting is tentatively scheduled for March 2005 in Kuwait.

- **OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS**

In 1989, Kuwait concluded an agreement with the U.S. on investment guaranty programs, which facilitated the extension of programs from the Overseas Private

Investment Corporation (OPIC) to Kuwait. Kuwait is also a member of the Multilateral Investment Guarantee Agency (MIGA). Currently there are no OPIC programs in Kuwait.

- **LABOR**

Kuwait has a diverse labor force. Kuwaiti nationals occupy most of the top management positions in the private and government sectors. Unemployment among Kuwaitis is less than two percent, but is rising as a result of a growing influx of young Kuwaitis into the labor force (10,000 to 12,000 annually). The new entrants are reluctant to enter the private sector and cannot be absorbed by the government, where underemployment remains a serious problem. Kuwaitis are outnumbered in the work force by expatriate laborers of diverse backgrounds. While there are a number of American and Western European workers in Kuwait, particularly in high-skilled positions, the vast majority of expatriate workers are low paid laborers from other Middle Eastern countries, South Asia, and the Philippines. Prior to the Gulf War (1991), Palestinians occupied many of the country's middle-management positions. Since the war, workers of other nationalities, often Egyptians or South Asians, have filled most of these positions. Since liberation, the Government of Kuwait has adopted inconsistent policies intended to limit and discourage the resident expatriate population. The government has instituted a quota system on work permits, restricted the transfer of workers from one sponsor to another within the private sector, and levied new fees on expatriate workers and their families in order to raise the cost of employing foreign workers. At the same time, however, the government has reduced the minimum salary required for expatriates to be eligible to bring their families to Kuwait.

Kuwaiti workers have the right to organize and bargain collectively, but Kuwaiti law prevents the establishment of more than one union per functional area or more than one general confederation. Foreign workers, who constitute the vast majority of the work force, are permitted by law to join unions as non-voting members after five years of residence in Kuwait. The right to strike is also recognized for private sector workers, though provisions that call for compulsory negotiation and arbitration in the case of disputes limit this right. Kuwaiti labor law prohibits anti-union discrimination.

Separate Kuwaiti labor laws set work conditions in the public and private sectors, with the oil industry treated separately. Forced labor is prohibited and the minimum employment age is 18 years. Youths as young as 14, however, may work part-time in some non-industrial positions. A two-tiered labor market ensures high wages for Kuwaiti employees while foreign workers, particularly unskilled laborers, receive substantially lower wages. There is no minimum wage for the private sector; in the public sector, the current effective minimum wage is KD 226 (US \$741) per month for Kuwaiti bachelors and KD 301 (US \$987) per month for married Kuwaitis--compared to KD 90 (US \$295) for non-Kuwaitis. The basic labor law also limits the workweek to 48 hours, provides for a minimum of 14 days of leave per year, and establishes a compensation schedule for industrial accidents. Current labor laws do not apply to domestic servants. The State Department's annual Human Rights Report and Trafficking in Persons Report highlighted the vulnerability of domestic servants to exploitation. . The Ministry of Social Affairs and Labor announced a

draft law to give domestic servants some of their rights like limited number of weekly work hours, minimum salary, and a weekly holiday.

The International Labor Organization's (ILO) Committee of Experts has reiterated its longstanding criticisms of the discrepancies between the Kuwaiti Labor Code and ILO Conventions 1, 30, and 87 regarding hours of work and freedom of association. Areas criticized by the ILO include the prohibition to establish more than one trade union for a given field; the requirement that a new union have at least 100 workers; the regulation that workers must reside in Kuwait for five years before joining a trade union; the denial of the right to vote and to be elected for foreign trade unionists; the prohibition against trade unions engaging in any political or religious activity; and the reversion of trade union assets to the Ministry of Social Affairs and Labor in the event of dissolution. A new labor law has been under consideration for over 10 years.

- **FOREIGN TRADE ZONES AND FREE PORTS**

In July 1995, the National Assembly passed Law No. 26 authorizing the Ministry of Commerce and Industry to establish free trade zones in Kuwait. In May 1998, the privately-owned National Real Estate Company signed a contract with the Ministry to operate, manage, and market the 50 square-kilometer Kuwait Free Trade Zone (KFTZ) at Shuwaikh port, which was inaugurated in November 1999. Many restrictions faced by foreign firms, such as corporate taxes, do not apply to offices or plants within the KFTZ. Some 90 percent of space within the KFTZ has been leased; the majority of firms operating in the zone are Kuwaiti.

- **FOREIGN DIRECT INVESTMENT STATISTICS**

Kuwaiti public investments abroad consist of portfolio investments held by the Kuwait Investment Authority, direct investments of other government entities, as well as those held by private Kuwaitis. The amount of investments of the KIA is a state secret, but is estimated at more than US \$80 billion. Details about non-KIA investments -- such as the Kuwait Petroleum Corporation's interests in oil production, refining, and distribution -- are unknown. The holdings of private Kuwaitis, in both direct and portfolio investments are believed to be some US \$100 billion. Other major investors in Kuwait include the Dow Chemical, which has a 45 percent stake in the US \$2 billion Equate project, a petrochemical joint venture with the Petrochemical Industries Company (PIC) that began operation in 1997. (Although the U.S.-owned Saudi Arabian Texaco is headquartered on the Kuwait side of the PNZ, it operates under a Saudi concession for Saudi Arabia's share of the onshore oil resources in the PNZ.) Other joint ventures in Kuwait are often the result of the government's offset requirements.

- **WEB RESOURCES**

None

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.

CHAPTER 7

TRADE AND PROJECT FINANCING

- How Do I Get Paid (Methods of Payment)
- How Does the banking System Operate?
- Foreign Exchange Controls
- U.S. Banks and Local Correspondent Banks
- Project Financing
- Web Resources

• METHODS OF PAYMENT

Kuwaiti banks offer financing on a variety of terms subject to the nature of the consignment. These include:

- Direct payment
- Cash in advance
- Documentary collection
- Letters of Credit
- Letters of Guarantee

Foreign companies involved in governmental projects will be paid by their local agents/sponsors. The concerned ministry issues a check withdrawn at a local commercial bank to the beneficiary, who in turn will pay the due amount to the foreign company (contractor).

The Kuwait banking system is highly professional and fully capable of handling short and medium-term financing for all types of transactions in the major currencies of the world.

• Products and services available through Kuwait banks include:

- Bid bonds, performance bonds, advance payments, guarantees, retention bonds, etc.
- Sight drafts and letters of credit in any major currency
- Cash facilities (i.e. lines of credit, loans) in Kuwaiti dinars or other major currencies
- Foreign exchange hedging lines

There are three specialized government banks in Kuwait that provide medium and long term financing. For example, the Industrial Bank of Kuwait finances industrial and agricultural projects. The Kuwait Real Estate Bank (KREB), on the other hand, provides financing for real estate projects. The role of the Credit and Savings Bank

is to help individual Kuwaitis with financial support for housing and personal residential development.

- **HOW DOES THE BANKING SYSTEM OPERATE?**

Under the supervision and authority of the Central Bank of Kuwait, the Kuwait financial sector is made up of seven commercial banks that follow international banking standards. These banks provide traditional banking services such as savings accounts, traveler's checks, credit cards, money market accounts, and remittances, etc. In addition, Kuwaiti banks can provide U.S. companies and individuals with financial assistance and support. The Kuwait Finance House is the main Islamic bank in Kuwait providing services and products comparable to those of a Western-style commercial bank. Bayan Bank is another Islamic bank recently licensed (late in 2004) but is not yet operational.

- **U.S BANKS AND LOCAL CORRESPONDENT BANKS**

The banks most frequently mentioned as providing a wide range of correspondent services are Citibank, Bankers Trust and Chemical Bank. There are, however, numerous other American banks providing specific services such as investment advice, credit card processing, traveler's check processing and foreign exchange trading services. In addition, many non-U.S. banks with operations in the United States also have firm correspondent relationships with Kuwaiti banks. These include Credit Lyonnais, Deutsche Bank, Dresdner Bank and Standard Chartered Bank.

Due to the broad and sophisticated nature of operations at Kuwaiti banks, there are expectations that foreign correspondent banks should be able to respond to a full range of banking needs. Kuwaiti banks have a global perspective and expect their foreign correspondents to work with them at that level.

- **BANK WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS**

The Central Bank of Kuwait
P.O. Box 526 Safat
13006 Kuwait
Tel: (965) 244-9200
Fax: (965) 246-4887
Deputy Governor: Dr. Nabil Al-Mannae
www.cbk.gov.kw

- **Commercial Banks with Their Correspondent banks (if any):**

Al-Ahli Bank/ Bank of New York/ JP Morgan Chase Bank/ American Express Bank

P.O. Box 21923 Safat
13014 Kuwait

Tel: (965) 240-0900
Fax: (965) 242-4557
Chief General Manager & CEO: Abdulla Al-Sumait
www.abkuwait.com

Bank of Bahrain & Kuwait / National Bank of Kuwait, NY

P.O. Box 24396 Safat
13104 Kuwait
Tel: (965) 241-7140
Fax: (965) 244-0937
www.bbkonline.com
E-mail: bbkwt@qualitynet.net
General Manager: Mr. Abdul Rahman Al-Kooheji

***Bank of Kuwait & the Middle East / JP Morgan Chase Bank/
Citibank N.Y./ Wachovia Bank***

P.O. Box 71 Safat
13001 Kuwait
Tel.: (965) 243-4127
Fax: (965) 246-1430
Chief General Manager & CEO: Mr. Michael Fuller
E-mail: bkmeqw@bkme.com.kw , Web Site: www.bkme.com

Burgan Bank / JP Morgan Chase Bank & Citibank

P.O. Box 5389 Safat
13054 Kuwait
Tel.: (965) 298 8000
Fax: (965) 241-7926
Chief General Manager & CEO: Mr. Jonathan D. Lyon
www.burgan.com

Commercial Bank of Kuwait / Bank of New York/Citibank/ Wachovia bank

P.O. Box 2861 Safat
13029 Kuwait
Tel: (965) 241-1011
Fax: (965) 243-1276
Chief General Manager & CEO: Mr. Jamal Al-Mutawa
www.cbk.com
E-mail: jamalm@banktijari.com

Gulf Bank / Citibank & Bankers Trust

P.O. Box 3200, Safat
130032 Kuwait
Tel: (965) 244-9501
Fax: (965) 244-6126
Chief General Manager & CEO: Dr. Yousef Al-Awadhi
www.e-gulfbank.com

Industrial Bank of Kuwait / National Bank of Kuwait, N.Y. Branch

P.O. Box 3146 Safat
13032 Kuwait
Tel: (965) 245-7661
Fax: (965) 246-2057
Chairman & Managing Director: Mr. Saleh M. Al-Yousef
www.ibkuwt.com
E-mail: s_alyousif@ibkuwt.com

Kuwait Finance House / Citibank/ National Bank of Kuwait N.Y. Branch

P.O. Box 24989 Safat
13110 Kuwait
Tel.: (965) 244-5050
Fax: (965) 245-0267
General Manager: Mr. Jassar Al-Jassar
www.kfh.com
Email: jassar@kfh.com

Kuwait Real Estate Bank / Chase Manhattan/ National Bank of Kuwait N.Y. Branch

P.O. Box 22822 Safat
13089 Kuwait
Tel.: (965) 245-8177
Fax: (965) 246-2271
General Manager: Mr. Abdulla Saif
www.kreb.com.kw
Email: alsaif@kreb.com.kw

National Bank of Kuwait / National Bank of Kuwait, N.Y. Branch

P.O. Box 95 Safat
13001 Kuwait
Tel.: (965) 242-2011
Fax: (965) 2431888
Chief General Manager: Mr. Ibrahim Dabdoub
www.nbk.com
E-mail: dabdoub@nbk.com

- **Project Financing**

Kuwait offers American companies a number of resources for trade and project financing, which include world-class commercial banks, sophisticated investment companies and Islamic financial institutions. Kuwaiti banks are able to provide financial facilities direct to the U.S. Company based on its financial statements or supported by a counter guarantee from a reputable bank in the U.S. Subject to the nature of the consignment, financing by Kuwaiti banks can be offered on a variety of terms. These include direct payment, cash in advance, documentary collection, letters of credit, and letters of guarantee. Under the supervision and authority of the Central Bank of Kuwait, the seven commercial banks described above follow international banking standards. There are also three specialized government banks in Kuwait, which provide medium and long-term financing.

U.S. firms can work through their agents to assign the proceeds of the contract in favor of the local bank. A U.S. company may receive financing through their local agent or by a joint venture partnership formed with a Kuwaiti counterpart. In addition, U.S. companies may approach local lead agents such as investment companies and/or banks to issue bonds in Kuwaiti dinars on their behalf under the company name. Approval for the issuance of the bonds is subject to the financial standing of the company, a market study, and the approval of the Central Bank of Kuwait. The advantage of using bonds as a financing tool is that it avoids foreign exchange fluctuations over the term of the contract. Including finance packages as part of a project proposal gives U.S. companies an excellent advantage. U.S. firms are encouraged to approach the U.S. Export Import Bank and other international financial institutions to obtain financial packages that may help make their bids more attractive in the Kuwaiti market.

- **Local and Islamic Financing Institutions:**

--**GIC:** The Gulf Investment Corporation (GIC), headquartered in Kuwait and formed by the governments of the six Gulf Cooperation Council (GCC) countries, (Bahrain, Kuwait, Saudi Arabia, Qatar, Oman and the United Arab Emirates), is a multi-service financial institution. The GIC's objective is to provide a range of financial services to both corporate and private investors. These include portfolio management, syndication's, new bond and equity issues, financial advisory services, and other capital market activities and direct investment. The GIC's strategy for direct investment is to promote joint venture partnerships in such fields as manufacturing, agriculture, minerals and other industrial services by providing equity and debt funding.

--**The International Investor (TII) and the International Investment Group (IIG):**

These are private Islamic investment groups that specialize in the design and delivery of a range of international and local investment products and services, including project and export finance. TII and IIG provide corporations and individuals with custom-made financial services and products designed to meet the specific needs and requirements of U.S. companies.

Kuwait is a member of the World Bank's International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, and the Multilateral Investment Guarantee Agency.

- **AVAILABLE EXPORT FINANCING AND INSURANCE**

Exim Bank facilities are available for public sector imports of U.S. goods and services through the Kuwait Investment Authority (the sole government body to borrow on behalf of the state, government ministries and government agencies). Private sector firms can obtain financing through local banks either in the name of their local agent, the U.S. firm, or jointly.

- **WEB SOURCES**

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country_limits.html
OPIC: <http://www.opic.gov>
Trade and Development Agency: <http://www.tda.gov/>
SBA's Office of International Trade: <http://www.sba.gov/oit/>
USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>
U.S. Agency for International Development: <http://www.usaid.gov>

Gulf Investment Corporation (GIC): <http://www.gulfinvestmentcorp.com>

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CHAPTER 8

BUSINESS TRAVEL

- **Business Customs**
 - **Travel Advisory**
 - **Visa Requirements**
 - **Telecommunications**
 - **Transportation**
 - **Language**
 - **Health**
 - **Local Time, Business Hours and Holidays**
 - **Temporary Entry of Materials and Personal Belongings**
 - **Web Resources**
-
- **Business Customs**

Visiting U.S. business executives will have no communication problems with their Kuwaiti counterparts as English is widely spoken and many Kuwaiti business representatives have been educated abroad.

Appointments with managers often take place after 9:00 a.m. Many Kuwaiti top executives and decision-makers maintain extensive travel schedules outside Kuwait as a result of their wide range of business activities. Many Kuwaitis travel during the summer months to escape the oppressive heat. They, however, remain in constant communication with their businesses.

Kuwait is an Islamic country. It attracts nationals from over 120 countries who live and work here. Kuwaitis are hospitable and they usually invite their foreign guests to their diwanias (meeting places) in the evenings, or even to their chalets (beach/vacation cottages) on weekends.

- **TRAVEL ADVISORY AND VISAS**

U.S. citizens traveling to Kuwait can get their visas at the airport on arrival. Valid passports remain required for entry. For more information concerning entry requirements, travelers may contact the Embassy of Kuwait in Washington D.C. at telephone number: (202) 966-0702, or the Kuwaiti Consulate in New York City, telephone number: (212) 973-4318. A downloadable visa application can be found at:

http://www.kuwait-info.org/Travel_Information/visa_requirements.html

Business visitors traveling on a temporary visit visa to Kuwait must observe the length of stay permitted in their visa, which is usually for one month from date of entry. Currently, most visit visas are valid for ten years, multiple entries and stays of up to one month, extendable to 3 months. Fines are charged for each day overstayed; the fine is currently KD 10 per day, per person (approximately US \$34.00).

Visitors to Kuwait should be aware of the dangers presented by unexploded land mines and other ordnance throughout the country. Stay on main roads and do not travel on unpaved roads; avoid open areas and the desert.

Kuwait's crime rate is moderate and violent crime is rare. Crime against the American community is low. Sexual harassment of women does occur, and suitable precautions should be taken. Visitors to Kuwait should dress conservatively, exercise prudent security measures and be sensitive to social and cultural norms in this conservative Islamic country. Use of narcotics is increasing in Kuwait, and visitors found with illegal narcotics or substances are subjected to tough criminal penalties. Vehicle accident and death rates are particularly high in Kuwait. Good road surfaces, powerful cars and lax enforcement of traffic regulations combine to make speeding commonplace and driving very hazardous. Foreigners may rent cars during their stay in Kuwait. They must have an international or an American driver's license.

No alcohol, pork products, or pornographic materials may be imported into or used in Kuwait. If prohibited items are discovered in a traveler's effects, he or she may be arrested and prosecuted.

Telecommunications

Kuwait has an adequate communications network. It is possible to make calls from Kuwait to any part of the world from apartments (for residents), from offices, and from any hotel. Faxes may be sent from the business centers of leading local hotels, such as the Sheraton Kuwait Hotel, Crowne Plaza Hotel, Safir International Hotel, W.J. Marriott, Hilton and Resort Hotel, or Radisson SAS Kuwait Hotel. However, visitors can use locally purchased calling cards but cannot dial "800" numbers in making calls from Kuwait.

Secretarial support is available in business centers at five-star hotels. One page of typing of English text costs approximately US \$5.00. A business executive hotel guest may use these services on a walk-in basis. Written translation from English to Arabic text or vice versa costs approximately US \$17.00 per document up to a maximum of 350 words per document. Oral translation costs about US \$336.00 per day.

Transportation

The road system in Kuwait is modern, well lit and easily navigated by car. U.S. visitors should be aware, however, that there might not be street addresses in older sections of Kuwait City. It is always best to call ahead to confirm directions and the exact location of the company or ministry one intends to visit. Public transportation is available but unreliable. Air-conditioned taxis are readily available at major hotels or taxi stands. Orange taxis should be avoided as they are used as commuter shuttles by day laborers. Their drivers are often illiterate and may not speak English. Car rental is also readily available to U.S. visitors with a valid U.S. driver's license

(which permits one to drive in Kuwait for the duration of the visitor's visa). U.S. car rentals such as AVIS, Budget, Hertz, etc. are also available. U.S. motorists should be careful of Kuwait's traffic conditions, which are often dangerous as a result of speed, large vehicles and limited adherence to traffic regulations.

Language

Arabic is the official language in Kuwait. English is the second language for most of the expatriate community and the principal language of the business community.

Housing

Americans visiting Kuwait will have no problem finding modern, spacious and air-conditioned housing. There are numerous luxurious residential complexes, villas, and apartments. Short-term visitors may stay in hotels or in furnished apartments, which are usually rented for minimum stays of one week. The Kuwaiti government subsidizes water and electricity; consumers are charged KD0.800 (US \$2.70) for 1,000 Imperial gallons of water and KD 0.002 (US \$0.07) per kilowatt-hour of electricity. In luxurious accommodation, water and power bills are part of the rental and are paid by the landlord. The Ministry of Energy (Electricity and Water) is considering increasing electricity and water prices. Local telephone service is free; however, there is an annual service charge of KD 30 (about US \$100) on each residential telephone line and KD 70 (about US \$230) on each commercial line.

The approximate cost of a medium-size hospitality function at a five-star hotel would be US \$35-40 per guest for a first-class function. A week's notice is usually required for such functions.

Health

U.S. business visitors to Kuwait encounter few health problems. They should arrive prepared to cope with the extreme heat and dust storms during the summer months. Although tap water is safe to drink, it is recommended to use bottled water as an added precaution. Food in Kuwait, including salads and dairy products, is generally fresh. A wide range of cuisine is available at many restaurants.

The quality of medical care in Kuwait varies depending on the facility, the personnel on duty and the nature of the medical problem. Although many medications (mainly American) are available in the country, visitors are advised to bring sufficient supplies of their prescription medication (as well as a signed prescription) for their entire stay. Visitors should consider purchasing short-term medical insurance, which includes a medical evacuation option in the event of a medical emergency that would require treatment in the U.S. Should medical care be required while in Kuwait, there are two options: the government system or the private sector. For routine care in the government system, access is through the polyclinic (neighborhood clinic) located in the district in which you reside. For emergency care, you may access any government hospital casualty (emergency) room. There are seven regional hospitals and numerous suburban polyclinics run by the Ministry of Public Health. A civil ID

card is required to receive care in the government system (in an emergency a passport is sufficient).

The Ministry of Health now implements compulsory medical insurance on all expatriates living in the country. Visitors who request services may receive them at public hospitals as well as in private hospitals on a fee basis.

In addition to Middle Eastern cuisine, local restaurants offer a wide variety of international selections, including French, Italian, Indian, Chinese, Japanese, Mexican and American (fast food). Food inspection is under the strict supervision of the health department of the respective municipality. Imported food supplies must be cleared with a certificate from the health authorities.

Local Time, Business Hours and Holidays

Kuwait's local time remains the same both in summer and winter times. It is 3 hours ahead of GMT and about 7-8 hours ahead of U.S. Eastern time.

Private companies work six days a week (Saturday through Thursday). Some companies work from 8:00 a.m. to 5:00 p.m.; others work from 8:00 a.m. to 12:30 p.m. and from 4:30 p.m. to 8:30 p.m. On Thursdays, companies work from 8:00 a.m. to 1:00 p.m. Government offices including the American Embassy close on Thursdays and Fridays. Banks and insurance companies close on Fridays and Saturdays.

Government offices close in observance of the following holidays: New Year's Day; Kuwait National Day (February 25); Kuwait Liberation Day (February 26); and a number of Islamic holidays which include Eid Al-Adha (Jan.21-25, 2005); Islamic New year (February 10, 2005); the Prophet's birthday (April 21, 2005); and Eid Al-Fitr (November 4-6, 2005).

Government offices operate on limited business hours during the holy month of Ramadan (the dates of which vary from one year to the next). Visitors are advised to check with their hosts to avoid scheduling conflicts.

Appointments should not be scheduled on Thursdays and Fridays. Official and business visits are not encouraged during Ramadan, as the government and businesses operate on shortened hours.

- **Temporary Entry of materials and Personal belongings:**

Foreigners are allowed to bring with them their personal belongings, which they need during their short visits, including their laptops, without tariffs. If they will live in the country and would like to bring their house effects and personal belongings, they can do that but might pay minimum tariffs.

- **Web Resources**

www.travel.state.gov/travel/warnings_consular.html

Kuwait.usembassy.gov

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CHAPTER 9

Contacts, Market Research, and Trade Events

- **Contacts**
- **Market Research**
- **Trade Events**

AMERICAN EMBASSY KUWAIT COMMERCIAL CONTACTS

Commercial Counselor:

Peter B. Alois

Fax: (965) 538-0281

Tel: (965) 539-5307, Ext. 2392

E-Mail: peter.alois@mail.doc.gov

Senior Commercial Specialist:

Kamal M. Zaher

Fax: (965) 538-0281

Tel: (965) 539-5307, Ext. 2506

E-mail: kamal.zaher@mail.doc.gov

Commercial Specialist:

Bassam Adham

Tel: (965) 539-5307, Ext. 2487

Fax: (965) 538-0281

E-mail:

bassam.adham@mail.doc.gov

Commercial Specialist:

Ms. Najla Sadeq

Fax: (965) 538-0281

Tel: (965) 539-5307, Ext. 2455

E-mail: Najla.Sadeq@mail.doc.gov

Commercial Assistant

Xavier Muthu

Fax: (965) 538 0281

Tel: (965) 539 5307 Ext. 2456

E-mail: Xavier.muthu@mail.doc.gov

Office E-mail: kuwait.city.office.box@mail.doc.gov

Web Site: www.buyusa.gov/kuwait

U.S. Agricultural Trade Office

Trade contacts, trade data, and import regulations for Kuwait, please contact:

Michael T. Henney, Regional Director
P.O. Box 9343
Dubai, U.A.E.
Tel: (971-4) 311-6183
Fax: (971-4) 311-6189
E-mail: atodubai@emirates.net.ae
Web Site: <http://www.usembabu.gov.ae/atodubai.htm>

LOCAL COUNTRY CONTACT INFORMATION

Kuwait Municipality (for inspection of food products)

Contact: Mr. Khaled H. Al-Zahmoul
Title: Director of Food Control
P.O. Box 10, Safat
13001 Kuwait
Tel: (965) 481-1417
Fax: (965) 481-1358

Directorate of Standards & Metrology (for all standards, including food standards) Public Authority for Industry

Contact: Mr. Khalid A. Al-Fahed
Title: Director of Standards & Metrology
P.O. Box 4690, Safat
13047 Kuwait
Tel: (965) 431-8740
Fax: (965) 431-6704

The Public Authority for Agricultural and Affairs and Fish Resources (for the import of livestock and pets)

Animal Health Department
Contact: Dr. Hussein Al-Shammaa
Title: Director of Animal Health
P.O. Box 21422, Safat
13075 Kuwait
Tel: (965) 471-7123
Fax: (965) 472-2417

• BUSINESS ORGANIZATIONS

American Business Council-Kuwait

Contact: Mr. John Cobb
Title: President
C/O The American Embassy Kuwait
P.O. Box 77 Safat
13001 Kuwait
Tel: (965) 539-5307 Ext. 2392
Fax: (965) 538-0281

National U.S.-Arab Chamber of Commerce

Contact: Ms. Marjorie A. Adams
Title: President
1023 15th Street, NW
4th Floor
Washington, D.C. 20005
Fax: (202) 289-5938
Tel: (202) 289-5920

The Kuwait Chamber of Commerce and Industry (KCCI)

(Represents all private businesses in Kuwait).

Contact: Mr. Ahmad R. Al Haroun
Title: Director General
P.O. Box 775 Safat
13008 Kuwait
Tel: (965) 2403 683
Fax: (965) 240-4110
E-mail: kcci@kcci.org.kw
www.kcci.org.kw

Country government offices and directorates relating to key sectors and significant trade related activities:

Minister of Commerce and Industry

HE Abdullah Abdul Rahman Al-Taweel
PO Box 2944 Safat
13030 Kuwait
Tel: (965) 246-9131
Fax: (965) 240-7535

Minister of Communications/Minister of Planning/State Minister for Development of Administrative Affairs

HE Sheikh Ahmed Abdullah Al-Ahmed Al-Sabah
PO Box 318 Safat
Kuwait 13004
Tel: (965) 484-0606
Fax: (965) 481-4448

Minister of Energy (Oil, Electricity & Water)

HE Sheikh Ahmed Fahed Al-Ahmed Al-Sabah
Tel: (965) 245-4545
Fax: (965) 245-1670

Minister of Finance

HE Mahmoud Al-Nouri
Tel: (965) 248-1013
Fax: (965) 244-6361

Minister of Public Health

HE Dr. Mohammed Ahmed Al-Jarallah

Tel: (965) 486-5637
Fax: (965) 486-5287

Minister of Public Works/Minister of State for Housing Affairs

HE Bader Nasser Al-Hameedi
Tel: (965) 246-6120
Fax: (965) 242-8942

General Administration of Customs

Mr. Ibrahim A. Al-Ghanim
Director General
P.O. Box 16, Safat 13001 Kuwait
Tel: 965-484 5419
Fax: (965) 4844 5780
General Information: office@customs.gov.kw

Kuwait Fund for Arab Economic Development (KFAED)

Mr. Bader Al-Humaidhi
Director General
P.O. Box 2921 Safat, 13001 Kuwait
Tel: 965-299-9000
Fax: 965-299-9792
www.kuwait-fund.org

Central Tenders Committee (CTC)

Mr. Ghazi Al Sammar
Chairman
Tel: 965-243-1719
Fax: 965-241-6574

Kuwait Airways Corporation

Sheikh Talal Mubarak A. Al Ahmad Al Sabah
Chairman & Managing Director
P.O. Box 394 Safat, 13004 Kuwait
Tel: 965-431 1154
Fax: 965-431 9204
www.kuwait-airways.com
Email: internetteam@kuwait-airways.com

Kuwait Ports Authority

Sheikh/Dr. Sabah Jaber Al-Ali Al-Sabah
Director General
P.O. Box 3874 Safat, 13039 Kuwait
Tel: 965-481-2712
Fax: 965-483-4663

Kuwait Institute for Scientific Research (KISR)

Dr. Abdulhadi S. Al-Otaibi

Director General
P.O. Box 24885 Safat, 13109 Kuwait
Tel: 483-6100
Fax: 481-7501
www.kisr.edu.kw
Email: public-relations@kisr.edu.kw

Kuwait Oil Company (KOC)

Mr. Farouk Al Zanki
Chairman & Managing Director
P.O. Box 9758 Ahmadi, 61008 Kuwait
Tel: 965- 398 2929
Fax: 965-398-2233
E-mail: azanki@kockw.com
www.kockw.com

Kuwait National Petroleum Co (KNPC)

Mr. Sami Al-Rshaid
Chairman & Managing Director
P.O. Box 70 Safat, 13001 Kuwait
Tel: 965-242-0120
Fax: 965-243-3839
Email: webmaster@knpc.com.kw
www.knpc.com.kw

Environment Public Authority

Dr. Rashed H. Al-Reshoud
Acting Director General
P. O. Box 24395 Safat, 13104 Kuwait
Tel: 965-482-0580
Fax: 965-482-0570
www.epa.org.kw
Email: madi@epa.org.kw

Public Authority for Applied Education & Training

Dr. Eng. Humoud Al-Mudhaf
Director General
P.O. Box 2316 Safat, 13092 Kuwait
Tel: 965-256-4960
Fax: 965-256-3601
www.paaet.edu.kw
Email: info@paaet.edu.kw

Public Authority for Industry

Dr. Yousef Al-Bahar
Acting Director General
P.O. Box 4690 Safat, 13047 Kuwait
Fax: 965-4318721
Tel: 965-4318240

www.pai.gov.kw

Email: industry@pai.go.kw

Directorate General of Civil Aviation

Mr. Yaqoub Y. Al-Sagar

Chairman

P.O. Box 17 Safat, 13001 Kuwait

Tel: 965-476-4145

Fax: 965-431-6830

www.kuwait-airport.com.kw

Email: isc@kuwait-airport.com.kw

Washington-based U.S. government country contacts

Kuwait Desk Officer – Carl Oberg

U.S. Department of Commerce

14th & Constitution Ave., N.W.

Washington, D.C. 20230

Tel: (202) 482-0879

Fax: (202) 482-0878

U.S. Commercial Service Regional Director – Dan Harris

U.S. Department of Commerce

14th & Constitution Ave., N.W. – Room 1223

Washington, D.C. 20230

Tel: (202) 482-4836

Fax: (202) 482-5179

Trade Assistance and Promotion Office (TAPO)

Foreign Agricultural Service (FAS)

U.S. Department of Agriculture

Ag Box 1052

Washington, D.C. 20250-1052

Tel: 202-720-7420

Fax: 202-690-4374

The FAS Home Page address on Internet is <http://www.fas.usda.gov>

- **Market Research**

U.S. Commercial Service Kuwait (CS Kuwait) can prepare targeted research upon request, and may charge a fee depending upon its anticipated complexity.

Nevertheless, Kuwait is a small market; formal research is typically unnecessary. In addition, customized lists of qualified trade contacts based on client's requirements can be developed. Post would prefer to assist American clients proactively through one of its services rather than generate market research.

To view market research reports produced by the U.S. Commercial Service, please go to the following website:

<http://www.export.gov/marketresearch.html> and click on country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

List of **agricultural reports** prepared by the agriculture trade office (ATO) Dubai

- American Food Directory for the GCC-5 (2004-2005 Edition)
- Guide for Doing Business in the Gulf
- Update of U.S. Agricultural Exports to the GCC-5
- Kuwait Food Retail Sector Report
- Kuwait Food and Agricultural Import Regulations and Standards (FAIRS)
- Kuwait Annual Poultry Meat Report
- Kuwait Frozen Vegetables Market Brief

Note: Agricultural reports are available via the Reports Office, USDA/FAS, Ag Box 1052, Washington, D.C. 20250-1052 and via the FAS Home Page on the Internet at the following URL:

<http://www.fas.usda.gov/scripts/attacherep/default.asp>

The U.S. Commercial Service Kuwait will support trade events and promote IBP's both in the region and in the United States during fiscal year 2005 as follows:

A. TRADE EVENT SCHEDULE FOR NON-AGRICULTURAL SECTORS

Event: The International Builders' Show
Sector: ACE (Construction)
Date: January 13-16, 2005
Location: Orlando, FL
Embassy Contact: Mr. Xavier Muthu, Commercial Assistant
Tel: 539 5309 ext. 2456; fax: 538 0281
E-mail: Xavier.muthu@mail.doc.gov
Organizer's Contact: Mr. Dennis Harrison at E-mail: dharrison@nahb.com
U.S. Government involvement in recruitment/promotion: No

Event: Conexpo-Con/Agg 2005
Sector: ACE (Construction)
Date: March 15-19, 2005
Location: Las Vegas Convention Center, Las Vegas, Nevada
Embassy Contact: Mr. Kamal Zaher, Senior Commercial Specialist (See above)
Organizer's Contact: Mr. Dennis Slater Managing Director
E-mail: info@conexpoconagg.com
Website: www.conexpoconagg.com
U.S. Government involvement in recruitment/promotion: No

Event: International Franchise Expo
Sector: Franchising
Date: April 8-10, 2005

Location: Washington Convention Center
Embassy Contact: Mr. Kamal Zaher, Commercial Specialist
Tel: 539 5307/8 Fax: 538 0281
E-mail: kamal.Zaher@mail.doc.gov

U.S. Government involvement in recruitment/promotion: No

Event: NAB 2005 (Broadcasting, audio/video/film production, post-production, broadband, streaming, wireless, satellite and telecommunications products, services and equipment)

Sector: TES

Date: April 18-21, 2005

Location: Las Vegas, Nevada

Embassy Contact: Ms. Najla Sadeq, Commercial Specialist

E-mail: Najla.Sadeq@mail.doc.gov

U.S. Government involvement in recruitment/promotion: No

Event: Offshore Technology Conference (OTC)

Sector: Oil and Gas

Date: May 2-5, 2005

Location: Houston, TX

Embassy Contact: Mr. Kamal Zaher, Senior Commercial Specialist

Web page: www.otcnet.org

U.S. Government involvement in recruitment/promotion: No

Event: Magic International (The largest Apparel market in the world)

Sector: Apparel

Date: August 30-September 2, 2005

Location: Las Vegas, Nevada

Embassy Contact: Ms. Najla Sadeq, Commercial Specialist

Tel: 539 5307 ext. 2455 Fax: 538 0281

E-mail: Najla.Sadeq@mail.doc.gov

Event: Restaurant Hotel-Motel Show (The NRA Show)

Sector: FOD

Date: 21-24 May 2005

Location: McCormick Place, Chicago, IL

Embassy Contact: Mr. Bassam Adham, Commercial Specialist

Tel: 539 5307 ext. 2487 Fax: 538 0281

E-mail: Bassam.adham@mail.doc.gov

U.S. Government involvement in recruitment/promotion: No

Event: International Public Transportation Expo

Sector: Transportation

Date: 26-28 September 2005

Location: Dallas, Texas

Embassy Contact: Mr. Bassam Adham, Commercial Specialist

Tel: 539 5307 ext. 2487 Fax: 538 0281

E-mail: Bassam.adham@mail.doc.gov

U.S. Government involvement in recruitment/promotion: No

Event: Automotive Aftermarket Products Expo (AAPEX)
Sector: Auto
Date: First week of November, 200521-24 May 2005
Location: Las Vegas, Nevada USA
Embassy Contact: Mr. Bassam Adham, Commercial Specialist
Tel: 539 5307 ext. 2487 Fax: 538 0281
E-mail: Bassam.adham@mail.doc.gov
U.S. Government involvement in recruitment/promotion: No

Note: *Because Trade Event Schedules May Change, Firms Should Consult The FCS Export Promotion Calendar Of The NTDB, The U.S. Department Of Commerce's Trade Information Center At (800) USA-Trade, Or Go To The Following Web Site: www.Export.Gov.*

B. Trade event schedule for agricultural sectors:

Event: Gulf Food 2005 Food & Equipment Exhibition (Regional-Biennial)
Sector: FOD
Date: February 20-23, 2005
Location: Dubai, U.A.E.
USG involvement in recruiting/promoting: Yes

Event: The FMI 2005 Supermarket Industry Convention & Educational Exposition/NASDA U.S. Food Export Showcase/Fancy Food Show-Spring Sector: FOD
Date: May 1-3, 2005
Location: Chicago, IL
USG involvement in recruiting/promoting: Yes

Event: The NRA 2005 Restaurant, Hotel, and Motel Show
Sector: FOD
Date: May 21-24, 2005
Location: Chicago, IL
USG involvement in recruiting/promoting: Yes

Note: All major U.S. food and agricultural exhibitions are listed on the FAS Home Page on the Internet at the following URL:
<http://www.fas.usda.gov/agexport/tradeshows/DomesticShows.html>

Note: *All major U.S. food and agricultural exhibitions are listed On FAS home page on the internet at: www.fas.usda.gov/scripts/attacherep/default.asp*

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below:

www.buyusa.gov or www.export.gov

For the products and services that The Commercial Service - Kuwait offers U.S. businesses, please click on the link below:

www.export.gov/kuwait and/or www.buyusa.gov/kuwait

U.S. exporters seeking general export information/assistance or country specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at (800) USA-TRADE, or go to the following website: <http://www.export.gov>

OUTREACH INTO IRAQ – SPECIAL INITIATIVE

Given security conditions and the recent establishment of the Commercial Service in Baghdad, CS Kuwait has also developed business opportunities for American and Kuwaiti companies in Iraq, especially in Basra. By identifying trade shows, launching seminars and missions, as well as partnering with other CS posts, with the then-Coalition Provisional Authority and with local business organizations such as the American Business Council plus extensive networking within southern Iraq, CS Kuwait has already assisted hundreds of companies in learning more about the business environment and in establishing relations with the Government of Iraq and with the Iraqi private sector. Key industry sectors include oil and petroleum, agriculture, healthcare, port development, iron and steel, fertilizer, concrete and cement, and security.

In cooperation with CS Baghdad, CS Kuwait will continue to link American and Kuwaiti business representatives with Iraqi to the best of our admittedly limited ability. Post will implement the following concrete actions in the short-term:

1. promote the Basra Business Center as a resource to Americans and Kuwaitis;
2. offer a special Platinum Key for Iraq to U.S. clients in partnership with CS Baghdad, to enable them to enter and expand operations throughout the country;
3. support American-led consortia in making investments in Basra in heavy industry, in particular to navigate various federal agencies in Washington, D.C.;
4. continue to help vetted Iraqi citizens to obtain Kuwaiti visas to meet American firms in this safer environment for the Gold Key program;
5. lead business missions into the south whenever security conditions permit;
6. promote the trade show, Rebuild Iraq, in April 2005 in Amman, Jordan;
7. continue to use our own post web page to promote reconstruction in Iraq.

In sum, CS Kuwait has the unique ability to help American and Kuwaiti companies increase their Iraqi business from Kuwait as well as inside Iraq. As CS Baghdad is established and able to manage its programs especially in the south, CS Kuwait will progressively withdraw turning over all contacts and actions, ultimately acting on an ad hoc basis at CS Baghdad's request.

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